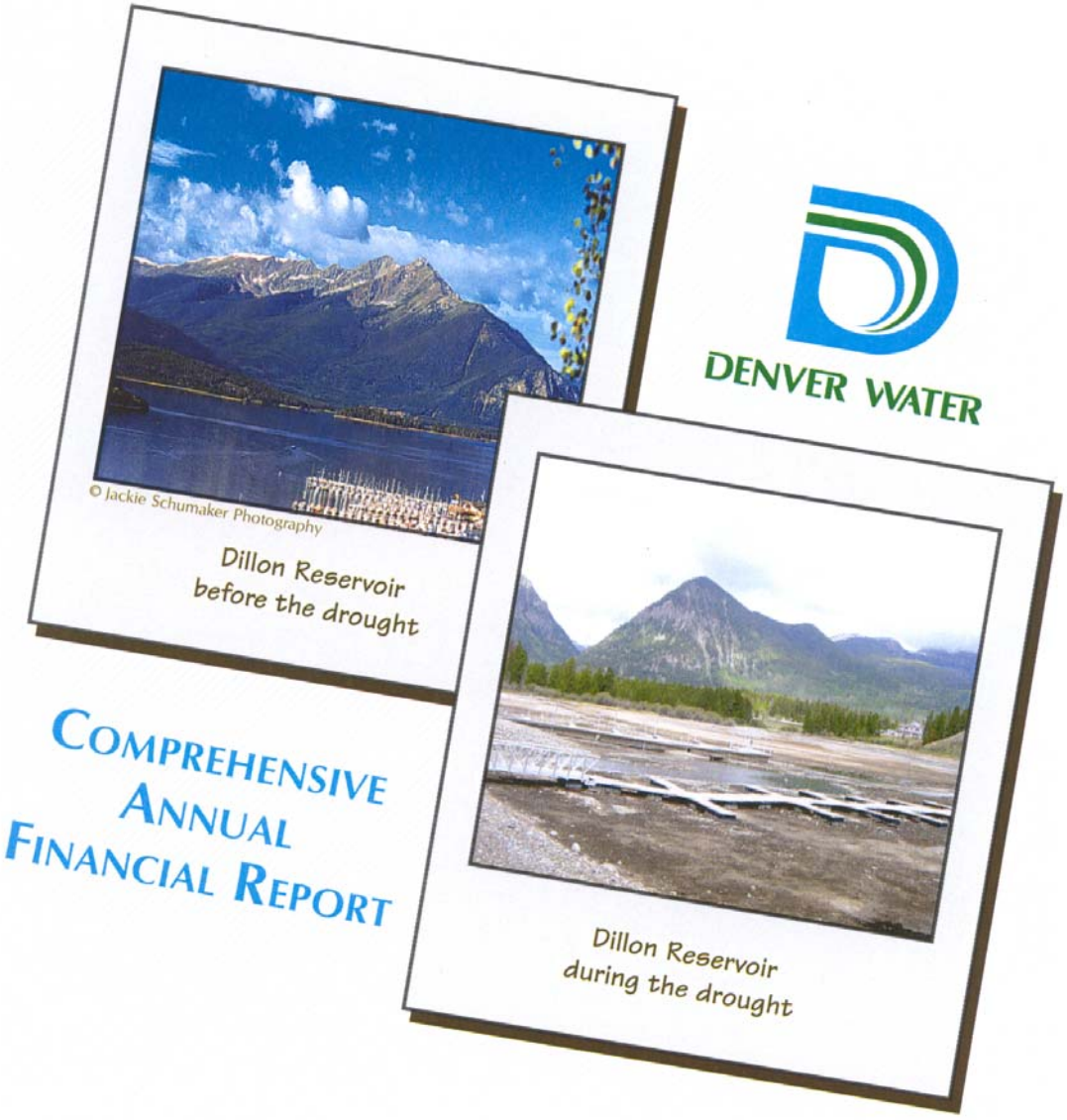

DENVER WATER

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ended December 31, 2002
Denver, Colorado

The City and County of Denver has determined under Governmental Accounting Standards Board Statement No. 14 that its relationship with Denver Water is such that Denver Water's financial statements should be included as a "Component Unit" in the City's Comprehensive Annual Financial Report. Under the Denver City Charter, Denver Water is a legally separate and distinct legal entity from the City and County of Denver and the City and County is not financially accountable for Denver Water.

DENVER WATER
Comprehensive Annual Financial Report

DENVER WATER

For the year ended December 31, 2002
Denver, Colorado

Prepared by the Accounting Section
of the Finance Division

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C - STATISTICAL SECTION (Continued)

INTRODUCTORY SECTION

DENVER WATER

May 1, 2003

To the Board of Water Commissioners and Our Customers:

We are pleased to transmit the Comprehensive Annual Financial Report ("CAFR") of Denver Water for the year ended December 31, 2002.

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with Denver Water. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and changes in financial position of Denver Water. All disclosures necessary to enable the reader to gain an understanding of Denver Water's financial and operational activities have been included.

This report is presented in three sections as follows:

A. Introductory Section, which includes this transmittal letter, excerpts from the charter, organization chart, and list of principal officials.

B. Financial Section, which includes the auditor's report on the financial statements, Management's Discussion and Analysis, the financial statements, and supplementary property and bond schedules.

C. Statistical Section, which includes selected operational and financial information, generally presented on a multi-year basis.

The new financial reporting model established by Governmental Accounting Standards Board Statement No. 34 requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found in Section B immediately following the auditor's report.

The Reporting Entity

The privately owned Denver City Water Company was organized in November 1870. It was merged into the Denver Union Water Company in October 1894, along with several smaller companies serving various parts of a growing Denver. In November 1918, the five-member governing board of the Denver Water Department purchased the company for the citizens of the City and County of Denver ("City"). The Denver Water Department was set up as an independent City water agency, with the philosophy that it would be operated as a business and remain separate from political influences.

Denver Water is governed by a five-member board appointed by the Mayor of the City for overlapping six-year terms. Denver Water has complete charge and control of a water works system and plant, which supplies water to customers located within the City and to entities serving other customers located in certain outlying areas in the Denver metropolitan area.

In accordance with Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity," Denver Water would be classified as 1) an "other stand-alone government" since Denver Water is a legally separate and distinct entity from the City under the Charter of the City, and the City is not financially accountable for Denver Water, and 2) a "related organization" since the Mayor of the City appoints Denver Water's governing body, but is not financially accountable. The City elects to include Denver Water's financial statements in its financial statements as a component unit enterprise fund because, in the City's opinion, the nature and significance of Denver Water's relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete.

The Mission of Denver Water is as follows:

> *Denver Water will provide our customers with high quality water and excellent service through responsible and creative stewardship of the assets we manage. We will do this with a productive and diverse work force. We will actively participate in and be a responsible member of the water community.*

The Year 2002 in Review

Without a doubt, 2002 was one of the most challenging ever for Denver Water. The worst drought in Colorado history reduced snow-pack depths and reservoirs to the lowest levels on record. Forest fires burned more than 7,100 acres of the utility's lands, and many more acres of the watershed. Battling these natural disasters consumed a disproportionate share of its budget, staff time, and focus.

Drought and fire also impacted Denver Water's customers. As available water supplies fell, they were asked to reduce their consumption: first voluntarily, then as a mandatory requirement brought on by worsening drought conditions.

Natural disasters also had a financial impact on Denver Water and its customers. Because of the fires, the utility incurred unbudgeted expenses for everything from firefighting to habitat restoration. Customers now pay a water-consumption surcharge, the revenue from which partially offsets the costs of the utility's drought and fire-response efforts. Developers also now pay a new tap surcharge to support an incentive program that encourages the use of water-saving appliances by current Denver Water customers.

Despite the demands of drought and fire, Denver Water kept a series of significant capital-construction, capacity-planning, conservation-program, and internal-efficiency efforts on schedule in 2002—efforts that will ultimately improve its ability to serve an increasing customer base more reliably and efficiently.

As the drought continues, Denver Water's challenges in 2003 are similar to those of 2002: manage and maintain an adequate and reliable water supply, even as the accumulation of that supply remains unpredictable.

Employment and Customer Statistics

Over the past 10 years, the number of Denver Water employees has increased from 1,012 in 1992 to 1,036 at the end of 2002, an increase of 2.4 percent. Meanwhile, the average number of treated-water customer accounts has risen from 257,935 in 1992 to 292,108 at the end of 2002, a 13.2 percent increase.

Demand and Consumption

During the first six months of 2002, Denver Water experienced a record-breaking pace for water sales. Drought restrictions curtailed this demand in the second half of the year, resulting in consumption of 75.2 billion gallons compared to 81.1 billion gallons in 2001. The peak day usage for 2002 was 419.2 million gallons compared to 488.7 million gallons in 2001. By comparison, the all-time peak day usage was 553.3 million gallons in 1989.

The average temperature in the Denver area last year was 50.2 degrees, which is .1 degrees below average. The total precipitation for 2002 was 9.42 inches compared to 16.93 in 2001, 7.02 inches below average.

Denver Water served a population of approximately 1,081,000 with treated water in 2002, a customer-base increase of .75 percent compared to the 1,073,000 served in 2001.

Drought Conditions

For each of the five years between 1998 and 2002, the snow pack readings in Denver Water's water-collection system have been less than normal. Because snow pack has a direct bearing on the amount of water that flows into Denver Water reservoirs, a drier-than-normal year can have a significant effect on water availability.

Such was the year of 2002.

The snow pack in Denver Water's watersheds reached its peak at the beginning of April. At that time, the snow pack was 63 percent of its normal level. The rest of the month that followed was one of the driest Aprils on record. By May 1, more than half of the snow pack in Denver Water's watersheds had melted or evaporated, and the remaining snow pack on May 1 was only 26 percent of its normal level. The low snow pack, parched soil and vegetation, and lack of spring precipitation resulted in the lowest spring stream flows ever recorded.

At the same time, reservoir storage was dropping. On May 1, Denver Water's reservoir system was 73 percent full. The last time system-wide storage was this low was in 1982, when it dropped to 64 percent of capacity.

With a record dry spring, it was clear by June that there was a drought underway.

Drought Response

Denver Water has a guiding plan for managing water supplies and restricting water use during a drought. This drought-response plan seeks to strike the appropriate balance between using water wisely and reserving it for storage. The plan's primary goal is to manage water use so that a supply will be available for the most essential uses for the duration of the drought. Highlights from the implementation of the plan in 2002 include:

- Stage 1 Voluntary Drought Response. On June 5, Denver Water declared a Stage 1 Drought Response. Under this declaration, the utility asked all customers to conserve water voluntarily, and set a goal of reducing overall water consumption by 10 percent.

- Customer Awareness Advertising. Denver Water also launched in June an advertising program designed to promote drought awareness and encourage conservation. Using the theme, "It's a drought, do something," the campaign's messages appeared on everything from highway billboards to drinking glass coasters in restaurants. The campaign received heavy local and significant national news coverage. Denver Water will soon select an advertising agency for another conservation-related campaign scheduled to begin in April of 2003.

- Stage 2 Mandatory Drought Response. By June 26, it became clear that despite a positive response for voluntary conservation, the drought had only increased in severity. Denver Water declared a Stage 2 Drought Response and imposed mandatory water restrictions. The restrictions included those on outdoor watering, watering of new landscapes, irrigating large or public areas, watering golf courses, washing vehicles, and raw-water use. It included penalties for violating water rules and set a target of reducing overall water use by 30 percent.

- Water Surcharge Adoption. In late August, Denver Water adopted a water-consumption surcharge to provide an enforcement mechanism for excess water use, a financial incentive for water conservation, and a way to help defray drought and wildfire-related costs. In general, the surcharge is a fee imposed on water use in excess of 70 percent of normal use. The intent of the Board of Water Commissioners ("Board") is to remove the charge when Denver Water reservoirs reach 80 percent of capacity. The charge remains in effect today.

- Drought Tap Surcharge. In September, Denver Water adopted a new surcharge for all taps issued after September 19. The tap surcharge is an additional fee to the system development charge paid by a developer for connecting a new customer to the utility's water-distribution system. The proceeds from the new surcharge will be used to help provide low-flow toilets and washing machines to existing Denver Water customers and to fund other water-conservation programs focused on reducing demand. The intent of the Board is to remove the charge when Denver Water reservoirs reach 80 percent of capacity. The charge remains in effect today.

Throughout last fall and winter, Denver Water monitored the levels of its reservoirs. With below-normal precipitation conditions continuing, the utility met with other Front Range water supply agencies to coordinate a 2003 response to the ongoing drought. These agencies recommended—and Denver Water is considering—steps that may include uniform watering schedules, key watering prohibitions, and regular updates to the media to keep customers apprised of water-supply conditions.

Denver Water continues to study a variety of drought-response options to meet current and future water-supply conditions.

Fire Conditions

The drought of 2002 helped set the stage for multiple fires across Colorado. Among them were the Snaking, Schoonover, and Hayman fires.

The Snaking Fire was started on April 23. It was contained five days later and burned 2,590 acres. None of the acres destroyed were on Denver Water properties.

The Schoonover fire began May 21. It was contained eight days later and burned 3,860 acres, including 80 acres near Deckers (east of Cheesman Reservoir). As with the other fires on the Platte River watershed upstream of the Strontia Springs Reservoir during recent years, the Schoonover burn increased the risk that greater amounts of sediment would wash into the reservoir during subsequent rain events.

The Hayman fire was by far the worst. It began on June 8 and burned for 40 days. By the time it was controlled, the fire had consumed 137,760 acres, including 7,043 near Denver Water's Cheesman Reservoir. It stripped vegetation from a large area, making the risk of sediment washing into the reservoir significant.

Fire Response

Denver Water's response to the fires of 2002 was immediate and multi-faceted, from financially assisting firefighting effort to deploying personnel and equipment to combat erosion and sediment runoff.

Denver Water has provided assistance to the firefighters on every fire in its watersheds since the 1996 Buffalo Creek fire. Generally this effort involves the transportation of firefighters, their equipment, food and water supplies. Denver Water has also transported newly arrived personnel from airports to fire fighting command centers—and from those centers to airports when the fires have been controlled.

For the Snaking Fire, Denver Water contributed $24,000 to support firefighting efforts. For the Schoonover fire, Denver Water contributed $30,000 to support firefighting efforts.

For the Hayman fire, Denver Water spent $3,652,000 to restore and rehabilitate acreage. These efforts included the deployment of 60 Denver Water employees who seeded burned areas and installed temporary sediment and erosion-control facilities, the aerial seeding of difficult-to-access terrain, and the installation of temporary floating booms to ensure that floating debris did not damage the Cheesman Reservoir's outlets.

To help offset the costs of restoring and rehabilitating the area around the Cheesman Reservoir, Denver Water applied for two grants: one from the Natural Resources Conservation Service ("NRCS") division of the U.S. Department of Agriculture, and one from the U.S. Environmental Protection Agency ("EPA").

The NRCS grant allowed Denver Water to be reimbursed for 75 percent of its expenses related to the restoration and rehabilitation efforts of areas affected by the Hayman Fire that the utility incurred within

220 days of receiving the grant. These efforts included, but were not limited to, reseeding, erosion prevention, and sediment trapping. The maximum amount available under this grant is $2,418,000. The agreement expires April 23, 2003.

The EPA grant allows Denver Water to be reimbursed for 60 percent of its initial expenses for the revegetation of a specific 1,579-acre parcel at the Cheesman Reservoir that the utility incurs before December 31, 2003. The maximum amount available under this grant is $500,000.

Under the NRCS and EPA grants, Denver Water has received $535,000 and has qualified for reimbursement of $1,701,000 by year-end.

Capital Construction

Despite the personnel and capital demands created by drought and fire conditions, Denver Water kept a variety of capital projects on schedule. These projects will improve the utility's ability to serve more customers more efficiently. They include:

- Recycled Water Plant. Construction continued on the first phase of a two-phase effort associated with the Recycled Water Plant. When the first phase is complete, the plant will produce 30 million gallons of recycled water a day for use by outdoor irrigation and industrial customers located primarily in the north and central sections of Denver. The projected cost of the first phase of this project is $89 million, of which Denver Water spent $51 million in direct costs and $4 million in indirect costs for a total of $55 million as of December 31, 2002. The plant is scheduled to begin operation in the spring of 2004.

- Marston Treatment Plant Upgrade. Denver Water is nearing completion of significant upgrades and improvements at the Marston Treatment Plant to improve water quality and water production efficiency, and increase treatment capacity. The total projected cost for this effort is $37 million, of which $31 million was spent in direct costs and $2 million in indirect costs for a total of $33 million as of December 31, 2002. The work is scheduled to be complete in the summer of 2003.

- Foothills Treatment Plant. The two-year effort to construct disinfection improvements and a finished water storage basin at the Foothills Treatment Plant was completed in 2002. The project enables Denver Water to comply with water-quality regulations and provides an additional 25 million gallons of storage capacity. The total project cost was $36 million. The project is complete.

- City Ditch-Related Construction. The City Ditch is a 19-mile, 140 year-old historic system that carries non-potable, seasonally diverted water from the South Platte River to irrigation customers that include Washington Park and City Park. In early 2001, the Colorado Department of Transportation informed Denver Water that an interstate highway improvement project would disrupt the supply of water in the ditch and compensated Denver Water $678,000. Denver Water determined the most efficient supply for its ditch customers was the Recycled Water Plant. Rather than rebuild the ditch, Denver Water built a temporary potable water supply line and a permanent dechlorination facility to serve ditch customers with water until water from the Recycled Water Plant becomes available in the spring of 2004. Work associated with the temporary potable water supply line and the permanent dechlorination facility was completed in 2002 at a total cost of $598,000.

System Capacity Expansion

Denver Water is always looking to meet the needs of its customers as efficiently as possible. To that end, the utility signed an intergovernmental agreement with Jefferson County last July that provides for an exchange of adjacent properties between the parties should Denver Water build a reservoir in Leyden Gulch. The utility has just begun a federal permitting process which may result in the identification of Leyden Gulch Reservoir as the optimum storage solution for the north end of the Denver Water distribution system.

Continuing Conservation

Conservation is key to Denver Water's ability to provide water to its customers and the utility makes substantial efforts in that regard. In 2002, these efforts included:

- Recognizing Conservation. Denver Water's commercial/industrial incentive program rewards companies and organizations for reducing water use. Not only does this approach provide an incentive for customers to use water more efficiently and lower their bills, it helps free up relatively low-cost water that can be used to supply future customers—without requiring new water-supply projects to be developed.

  Denver Water negotiates efficiency contracts with commercial and industrial customers—in essence buying back their saved water. The current price paid for water savings is $4,500 per acre-foot—about 326,000 gallons—to a maximum of $40,000 for a given project. To date, 32 participants in these programs have saved 209.6 acre feet, or 68.3 million gallons, of water per year.

  Denver Water currently has seven active irrigation efficiency contracts, which saved approximately 47 acre-feet—15.3 million gallons—of water during the 2002 irrigation season. In June, the utility entered into a contract with Windsor Gardens to pay for the reduction in landscape water use at its complex. These efforts will save an estimated 6.6 million gallons of water annually.

- Cooperative Conservation Efforts with Denver Housing Authority. Throughout 2002, staff from Denver Water and the Denver Housing Authority ("DHA") worked on various cooperative projects to install water-conservation devices and reduce irrigation at DHA sites throughout Denver. These projects included water-conservation outreach programs to more than 12,000 individual households and efforts to make DHA's landscape designs more water efficient. They also included toilet replacement and low-flow showerhead and faucet aerator installation programs. As a result of these cooperative efforts, DHA has achieved a 22 percent water savings compared to use during the previous year.

- Xeriscape Program. A significant part of Denver Water's conservation effort involves encouraging customers to Xeriscape, a method of landscaping that reduces the need to irrigate. Xeriscapes can save from 20 to 60 percent of the water normally applied to a traditional Kentucky bluegrass landscape.

  In 2002, Denver Water's Xeriscape outreach efforts included an online Xeriscape of the Week contest, which featured pictures of a different Xeriscape on Denver Water's Web page during the irrigation season. Also, more than 700 people attended free Xeriscape seminars and several thousand visited Xeriscape exhibits at the Denver Garden and Home Show, ProGreen Expo, and

other expositions. And Denver Water arranged for more than 125 people to have a private session with a landscape architect to design or redesign their existing landscapes into Xeriscapes.

Additionally, Denver Water continued its cooperative project with the City of Aurora Utilities Department in 2002 to create and produce the Planting Plan brochure, the sixth in a series, this year emphasizing "Xeriscape on a Budget."

- Extending Online Conservation Resources. In May, Denver Water launched ***www.watersaver.org***, a new Web site that lets customers tailor irrigation schedules and watering times for their particular landscapes and geographic regions. In August, this site expanded to encompass the "Save Our Shade" project for saving trees during the drought. The project was created by professional foresters, landscapers, and water conservationists in the Front Range.

- Awards. In May, the Denver Water Conservation Section was recognized for its longstanding efforts with the announcement that it had received the Jane Silverstein Ries Award. Presented by the Colorado Chapter of the American Society of Landscape Architects, the award recognizes a person, group, or organization that demonstrates a pioneering sense of awareness and stewardship of land use values in the Rocky Mountain region. Among its many accomplishments, the Conservation Section was recognized for its development of low-water use landscape practices and its influence on individual water use for outdoor irrigation.

Increasing Operational Efficiencies

From water meters that can report usage automatically and Internet-based bill paying to key information-system projects, technology is playing a pivotal role in boosting operational efficiencies at Denver Water. In 2002, these efforts included:

- Automated Meter Reading Project. Denver Water has completed the second year of a five-year, $40.2 million effort to install automated water meters that can report usage via radio signals. These meters include those in residential neighborhoods as well as outdated large-capacity meters that can underreport water consumption. When complete, the project will eliminate approximately 40 meter-reading positions and track water usage more precisely. To date, more than 90,000 of 200,000 automated meters have been installed.

- Customer Information System ("CIS") Project. To enhance its customer service and create even greater operational efficiencies, Denver Water began investigating the deployment of a new customer information system (CIS) in 2002.

  For customers, the new CIS system has the potential to provide several key benefits. It could enable the utility to support new services, such as Web-based billing. It could also enhance the utility's ability to move from a bimonthly to a monthly billing cycle, enabling customers to monitor their water-consumption habits more closely, spot leaks or over-utilization more quickly, and see and respond to the effects of drought-related billing surcharges more immediately.

  For Denver Water, a new CIS system has the potential to drastically reduce the programming necessary to implement rate changes and drought surcharges. It could even help in the utility's

communications with its customers, as most new CIS systems print custom messages on the bills of target customer groups.

A CIS system also has the potential to streamline Denver Water's day-to-day operations. Today, the utility maintains a computerized customer billing system; it also maintains a separate computerized system that tracks the activities of housing developers connecting new customers to its water-delivery system. A new CIS system has the potential to integrate these two systems, eliminating duplicate data-entry requirements. This kind of integrated system could enable Denver Water to easily track the history of a particular customer account, from the time of its creation to its last billing cycle.

Finally, the new CIS database will be necessary for the Water Quality Section to manage the distribution system Cross Connection inspection program as required by Colorado Department of Public Health and Environment regulation, as it will be tied to their database of backflow devices installed throughout the distribution system.

Denver Water is currently reviewing proposals for its new CIS system.

- New Treated Water-Distribution Model. In late 2001, Denver Water began work on a new computerized model of its water-distribution system. Building upon previous models, it will include all distribution pipes in the Denver Water system, enabling it to be used for modeling water quality, system improvements, fire flow, and other purposes. Work on the model continued through 2002, and should be completed in 2003 with the addition of water- quality parameters, including an Extended Period Simulation ("EPS") model.

- Total Service Improvement Class. Many water districts served by Denver Water but located outside the Denver city limits have limited resources with which to perform system maintenance and monitor water quality. Denver Water's Total Service Improvement class enables these areas to contract with the utility to assume these responsibilities. The costs for system improvements in these areas are spread over multi-year periods through the use of custom surcharges, mitigating their impact on customers in the affected areas.

  In April, the Board approved a total service improvement contract with the Southwest Cherry Hills Water District. In May, the Board approved a total service improvement contract with the Castlewood Water District.

- E-Billing System. Denver Water continued its efforts to encourage customers to receive and pay their water bills online in 2002. During the year, 987 new customers were converted to electronic billing, saving the costs of the printing of and the application of postage to their bills. Denver Water is well positioned to benefit from an expected increase in the number of customers who prefer this form of billing. To date, 1,584 customers receive and pay their bills electronically; more than 13,407 additional customers receive paper-based bills and pay them electronically.

- Remote Payment Stations. To further assist customers in paying their bills, Denver Water maintains several remote payment stations across the City of Denver. In 2002, 55,169 bills were paid at these sites, representing approximately $ 9.3 million in revenue.

- GIS Database Upgrade. From water mains and valves to hydrants and treatment plants, Denver Water has tens of thousands of "fixed-position" assets which make up its infrastructure. In 2002, the utility engaged in a massive upgrade of its geographic information system ("GIS") database to deepen its knowledge about these assets and, by doing so, make its operations more efficient.

  The GIS upgrade had two general goals. The first was to vastly improve the positional accuracy of the engineering drawings that contain fixed-position assets and on which Denver Water and its contractors depend. Historically, these drawings have been accurate to between 10 and 30 feet; the GIS upgrade will make them accurate to within 3 centimeters. More important, Denver Water will be able to use these highly accurate drawings when designing new facilities; their accuracy will, in many instances, eliminate the need for expensive surveys and streamline the design creation, review, and approval processes.

  The second goal of the GIS upgrade was to link each fixed-position asset with mapping, purchasing, maintenance, operational, financial, and other data pertinent to that asset from other computer systems within Denver Water. Doing so would enable the utility to get a variety of data about an asset using only one system instead of many. A staff member, for example, could select a water hydrant from an online map and get the installation date, maintenance history, depreciation schedule, and other information about that asset.

Legal Issue

In July, Denver Water resolved a lengthy and expensive water-rights dispute with the City of Thornton. The dispute involved Denver Water's right to the South Platte Exchange. In short, this right enables the utility to use water from the South Platte River and make the river whole by providing other water in exchange. The right is critical to Denver Water's ability to move water throughout its water-collection and distribution systems. Over the last four years, the Thornton dispute has consumed hundreds of staff hours of Denver Water's Legal, Planning, and Information Technology employees.

In October of 1999, the Thornton case went to trial in Greeley. After 77 days at trial—and just before closing arguments were scheduled to begin—the City of Thornton initiated settlement talks with Denver Water. After six months of intense negotiations, Denver Water approved an Intergovernmental Agreement that resolves all existing and most potential water-rights disputes between Thornton and Denver Water, including the original dispute related to the South Platte Exchange.

Public Safety Planning

In response to the events of September 11, 2001, Denver Water has spent in excess of $3 million over 15 months for security-related activities. Operation and maintenance expenses have totaled just over $2.5 million. Included in these expenses are costs for police presence, staff time, and a federally mandated vulnerability assessment to be conducted by all water utilities. Capital expenditures during this period have totaled $618,000. They include new and updated security equipment.

Financial Diligence

Denver Water customers have some of the lowest water bills in the Front Range region. Through the use of long-range financial planning, water-rate increases often approximate the rate of inflation. In addition to forward-looking capital construction and capacity planning—as well as conservation efforts—wise financial stewardship plays an important role in keeping customer rates low. Three events highlighted the importance of that role in 2002:

- Annual Rate Adjustments. Consistent with its long-term financial plan, Denver Water raised rates by 3.5 percent for all customer classes.

- General Obligation Bond Refunding. In September, Denver Water issued $11.61 million of general obligation bonds at a total interest cost of 3.99 percent. The proceeds were used to pay outstanding bonds that were scheduled to mature in the fall of 2002.

- 10-Year Financial Plan. Every year, Denver Water evaluates its fiscal condition and articulates a forward-looking financial plan. The utility remains financially strong, though subject to two kinds of risk: the need to complete current and future capital projects and the potential impact of reduced water consumption on the utility's revenue forecasts.

In August, the utility completed its current 10-year financial plan. The plan is predicated on normal weather conditions, not drought weather conditions. The fundamental assumption is that, over a 10-year horizon, weather and water sales will be normal, although it is understood that in any given year they will be impacted by a variety of climatic conditions. As part of its contingency planning, however, Denver Water maintains financial reserves for low-revenue periods similar to those that may occur during drought or rainy years. The Board has also adopted a 2003 budget that anticipates reduced water sales and revenue, and offsets this reduction through cost-cutting measures and the use of these financial reserves.

Financial Information

Discussion of Controls

Internal Control Structure. Management of Denver Water is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of Denver Water are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Controls. In addition, although Denver Water is not legally required to adopt budgetary accounting and reporting and make appropriations for expenditures, it does maintain budgetary controls through a formal budget process, which involves:

- Maintaining a long-range plan for addition and replacement of water system facilities based on projected demands for water, which is updated annually and is used as a basis for projecting capital expenditures in the budget.

- Maintaining a long-range plan for operation and maintenance activities.

- Developing a long-range financial plan for issuance of debt and adjustment of water rates.

- Developing annual work plans by program (raw water, reuse, water treatment, delivery, and general plant), based on the long-range plan, for operation and maintenance activities and capital projects.

- Establishing cost control center budgets for labor, materials, and services for each of the projects or activities listed on the annual operation and maintenance and capital work plans, which are combined on a total entity basis.

- Providing explanations for significant variances between budgeted and actual expenditures to the Board on a quarterly basis.

Discussion of 2002 Operating Results

The discussion of 2002 operating results, capital asset activity, and long-term debt activity is contained in the MD&A in Section B.

Cash Management

Denver Water's investment program has two purposes; therefore it also has two portfolios, a liquidity portfolio and an investment portfolio. The liquidity portfolio is used to ensure that the Board has the funds it needs to meet its current obligations. The purpose of the investment portfolio is to be a reserve against unexpected events and for large capital expenditures. Safety of principal is the foremost objective of the liquidity portfolio. The objective of the investment portfolio is to attain a market rate of return over a full market cycle when measured against the Lehman Government/Credit Index. At year-end, approximately 55% of the unrestricted investments were held in US government and agency securities. The remaining investments were in commercial paper, rated A-1 or P-1 by Standard & Poor's or Moody's, investment grade corporate bonds and in money market mutual funds. All securities were classified as category one, the category of least custodial credit risk as defined by the Governmental Accounting Standards Board. Denver Water earned interest income of $7.9 million on the investments for the year. The 12-month total return on the investment portfolio was 10.31% and on the liquidity portfolio was 2.0%. See Note 2 in the Financial Section for more details.

Risk Management

The Board has a risk management program that includes self-insurance for liability, and self-insurance for employee medical and dental benefits through a commercial claims servicer. The Board carries commercial property insurance for catastrophic losses, including floods and earthquakes, for five major facilities, and carries limited insurance for other miscellaneous locations. The Board also carries commercial insurance for employee life, accident, and workers' compensation. Denver Water's liability is limited under the Colorado Governmental Immunity Act to $150,000 per person and $600,000 per occurrence. Denver Water has designated $7.5 million of its investments as available for claims covered by self-insurance. See Note 5 in the Financial Section for more details.

Pension Trust Fund Operations

Net assets available for plan benefits decreased $15,590,100 in 2002, after contributions, benefit payments and gains and losses on investments, to a total of $164.8 million as of December 31, 2002. The accrued actuarial liability at January 1, 2002 exceeded the accrual value of assets by $16.4 million or 32.4% of covered payroll. This compares to an excess of assets over liabilities of $6.7 million or 14.3% of covered payroll at January 1, 2001. The pension trust fund investment return was -7.20% for 2002. This return compares with a return of –22.10% for the Standard & Poor's 500 and 11.04% for the

Lehman Government/Credit index. The annual actuarial valuation continues to reflect a well-funded plan. See Note 12 in the Financial Section for more details.

Disclosure Requirements

Certain information is being provided by Denver Water pursuant to various Continuing Disclosure Undertakings that have been executed by the Board in order that participating underwriters may comply with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission. The Government Finance Officers Association of the United States and Canada ("GFOA") recommends that these disclosures be contained in the CAFR. These disclosures made by Denver Water can be found on the following pages:

Audited Financial Statements	Section B - Financial Section
Total Outstanding Indebtedness	Section B - Notes 6, 7, 8, Exhibits II-A through D
Total Treated Water Delivery/Consumption	Page C-25
Number of Customer Accounts	Page C-49
Receipts and Expenditures	Page C-56, C-57
System Development Charges and Participation Fees	Page C-58

Other Information

Independent Audit

The City Charter requires an annual audit of the accounts of Denver Water by the City Auditor. The independent accounting firm of Grant Thornton LLP was jointly selected by the City Auditor and Denver Water to conduct this audit for 2002. Grant Thornton's report is included in the financial section of this report.

Awards

Comprehensive Annual Financial Report. The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to Denver Water for its CAFR for the fiscal year ended December 31, 2001. This was the fourteenth consecutive year that Denver Water has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

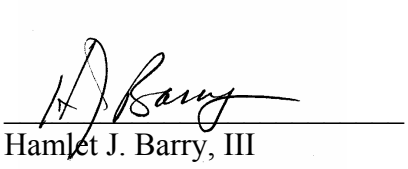
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Annual Budget. The GFOA presented an award for Distinguished Budget Presentation to Denver Water for its annual budget for the fiscal year beginning January 1, 2002. This is the tenth consecutive year Denver Water has received this award. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. The award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to the GFOA to determine its eligibility for another award.

Acknowledgments

This report was prepared by the staff of Denver Water with the leadership and support of the Board of Water Commissioners.

Sincerely,



Hamlet J. Barry, III
Manager, Denver Water

David B. LaFrance
Director of Finance

ARTICLE X of the CHARTER OF THE CITY AND COUNTY OF DENVER

Amended November 5, 2002

§10.1.1 Board of Water Commissioners created. There shall be and hereby is continued and created a non-political Board of Water Commissioners of five members, to have complete charge and control of a water works system and plant for supplying the City and County of Denver and its inhabitants with water for all uses and purposes.

§10.1.2 Appointments to Board. On the second Monday in July of odd-numbered years, the Mayor shall appoint one or two Commissioners, as the case may be, for terms of six years each to succeed those whose terms are expiring. The members of the Board of Water Commissioners shall each continue in office until their successors are appointed and qualified. Any vacancy on the Board shall be filled promptly by appointment by the Mayor. Each appointee shall be a citizen of the United States, a resident of the City and County of Denver, and at least 25 years of age. If a member of the Board shall cease to be a resident of Denver, the individual shall thereupon cease to be a member of the Board.

§10.1.3 Compensation and bonds. The commissioners shall each receive compensation of $600.00 per annum. Each Commissioner shall give an oath or affirmation and give an official bond in an amount and conditioned and approved as provided by the Board by resolution. The Board may require the Treasurer of the City and County of Denver to give bond conditioned in such manner as shall be determined by the Board. The premiums on all such bonds shall be paid out of the Water Works Fund.

§10.1.4 Board meetings. The Board shall hold two regular meetings each month on such days as it may by resolution determine, and special meetings at such other times as it may deem necessary. All meetings shall be open and public. If any member of the Board shall be absent for three successive regular meetings, unless excused by vote of the Board, he or she shall cease to be a member and the office shall be deemed vacant.

§10.1.5 General powers. The Board shall have and exercise all the powers of the City and County of Denver including those granted by the Constitution and by the law of the State of Colorado and by the Charter in regard to purchasing, condemning and purchasing, acquiring, constructing, leasing, extending and adding to, maintaining, conducting and operating a water works system and plant for all uses and purposes, and everything necessary, pertaining or incidental thereto, including authority to dispose of real or personal property not useful for or required in the water works operation. The Board shall have authority to generate and dispose of electric energy for water works purposes or any other purpose of the City and County of Denver. The Board may lease water facilities or the flow of water for generation of electric energy and may sell surplus energy, provided that nothing herein shall be construed as permitting the Board to distribute electric energy to the general public. The Board shall have power in the name of the City and County of Denver to make and execute contracts, take and give instruments of conveyance, and do all other things necessary or incidental to the powers herein granted, and in so doing may make such special designation in such instruments as will indicate the capacity in which the City and County of Denver is acting when such actions are taken by or on behalf of the Board of Water Commissioners. The customary practice of dealing in the name of "City and County of Denver, acting by and through its Board of Water Commissioners" is hereby confirmed and approved. The Board shall institute and defend all litigation affecting its powers and duties, the water works system and plant, and any of the Board's property and rights. In any matter affecting the powers, duties, properties, or trusts of the Board, process shall be served on the Board. The Manager of Denver Water is hereby designated as the officer upon whom process may be served in any matter in which the Board of Water Commissioners has the sole authority for the municipal corporation.

§10.1.6 Manager and personnel. The property and personnel under control of the Board shall be referred to generally as Denver Water. The Board shall designate a Manager, who shall cause the Board's policies and orders to be executed and shall bring to the Board's attention matters appropriate for its action. The Board shall have power to employ such personnel, including legal staff, and fix the classifications thereof as it may deem necessary. All such personnel shall be hired and dismissed on the basis of merit. The Board shall define the duties of each of its employees and fix the amount of their compensation. It shall be the duty of the Board to carry out the intent and requirements of Article XX of the Constitution of the State of Colorado with respect to civil service for public utilities and works and to perform the customary functions of a civil service commission with respect to its employees. In performing the functions of a civil service commission, the Board or its designee shall have the power to conduct hearings, administer oaths and issue subpoenas enforceable in the County

Court of the City and County of Denver. The Board may establish classifications of employment for persons outside the civil service system who serve solely at the pleasure of the Board. Such employees shall include the number of temporary employees the Board deems necessary and not more than 2% of all regular employees of the Board.

§10.1.7 Water works fund. There is hereby created a Water Works Fund into which shall be placed all revenues received from the operation of the water works system and plant together with all monies received by the Board from other sources. The Board shall maintain records in compliance with generally accepted accounting principles sufficient for reliance by the Treasurer and the Auditor in faithfully accounting for the Water Works Fund. The Board shall promptly deposit all receipts into a bank account in the name of the City and County of Denver acting by and through its Board of Water Commissioners. The Board may invest such funds until they are required for operations of the Board. Monies shall be paid out of the account only upon the authority of the Board and evidenced by warrants drawn upon the Treasurer by the Auditor of the City and County of Denver, except as to general obligation bonds and the interest thereon, which the Treasurer shall pay using procedures approved by the Manager of Revenue.

§10.1.8 City Auditor. The Auditor of the City and County of Denver shall audit the accounts of the Board at least annually and make a report of his or her findings to the Council of the City and County of Denver. The Board shall make all of its accounts and records fully available to the Auditor to enable him to carry forward these duties that shall be performed without interference with the water works function. The Auditor, or some person designated by him or her, shall sign all warrants, countersign and register all bonds and written contracts (with the privilege but without the necessity for keeping copies thereof). The Auditor may authorize the affixing of his or her signature by mechanical means.

§10.1.9 Water rates. The Board shall fix rates for which water shall be furnished for all purposes within the City and County of Denver, and rates shall be as low as good service will permit. Rates may be sufficient to pay for operation, maintenance, reserves, debt service, additions, extensions, betterments, including those reasonably required for the anticipated growth of the Denver metropolitan area, and to provide for Denver's general welfare. The rates may also be sufficient to provide for the accumulation of reserves for improvements of such magnitude that they cannot be acquired from the surplus revenues of a single year.

§10.1.10 Uniformity of rates. Except as specifically provided, rates charged for water furnished for use inside the city limits of the City and County of Denver shall be uniform as far as practicable and so related to the service furnished or the volume of water used as to bring about a fair and equitable distribution among all water users of the total amount to be realized from revenues derived from the sale of water used within the City and County of Denver. No special rate or discount shall be allowed to any property, entity, person or class of persons except as in this charter specifically provided.

§10.1.11 Enforcement of charges. The Board may enforce the payment of any charge by discontinuing service to the premises at which the charge arose without regard to the ownership or occupancy of such premises.

§ 10.1.12 City rates. Commencing January 1, 1960, the Board shall furnish water to the municipal government of the City and County of Denver at rates which shall approximately equal but not exceed the cost of the water furnished, not including items in such rate for debt service, additions, extensions or betterments. Such rate shall not be applicable to agencies or authorities sponsored by or supported by the City and County. The Board shall own, control and operate all water, water rights, structures and facilities of the City and County of Denver pertaining to the Farmers and Gardeners Ditch and the City Ditch. The Board shall furnish water out of the City Ditch or some equivalent source for the use of Denver in City Park and Washington Park, without any charge whatsoever.

§10.1.13 Water leases. The Board shall have power to lease water and water rights for use outside the territorial limits of the City and County of Denver, but such leases shall provide for limitations of delivery of water to whatever extent may be necessary to enable the Board to provide an adequate supply of water to the people of Denver. Every such lease shall contain terms to secure payment of sufficient money to fully reimburse the people of Denver for the cost of furnishing the water together with an additional amount to be determined by the Board. Sales at amounts less than the above minimum may be made if warranted by economic conditions, but a contract providing for such lesser charge shall not extend for more than one year.

§10.1.14 Expenses. The entire cost of the operation and maintenance of the water works system and plant under the control of the Board shall be paid from monies of the Water Works Fund. The monies and other assets of the Water Works Fund shall not be used for any purpose except for the management, operation and maintenance of the water works system and plant, including additions, extensions and betterments, for recreational opportunities incidental thereto, and for the payment of interest and principal on bonds and other obligations, the proceeds of which were or shall be used for water works purposes.

§10.1.15 Bonded indebtedness. The Board of Water Commissioners in its sole discretion may issue revenue bonds, the proceeds of which shall be placed in the Water Works Fund and expended for water works purposes, for establishing reserves in connection with such bonds or for refunding the principal of and interest on bonds previously issued by the Board. Revenue bonds shall be payable as to interest and principal solely from the net revenues of the Board. The Board shall pledge to pay the principal and interest on such bonds from revenues of the Board, which pledge shall be irrevocable. The bonds so authorized shall be sold and issued by action of the Board and no other ratification or authorization shall be required. The Board shall have power to refund, pay or discharge the principal of any general obligation bond it issued prior to November 5, 2002, when such bond becomes payable, and may use proceeds of a new revenue bond issuance to refund, pay or discharge the general obligation bonds. Existing or future bonds issued by the Board shall continue to be excluded from the determination of any limit upon the indebtedness of the City and County of Denver.

§10.1.16 Board organization. The Board shall adopt rules governing its organization, the calling of special meetings and the conduct of its business. A majority of the Board shall constitute a quorum and all action by the Board shall be taken by a majority of the whole Board and not otherwise.

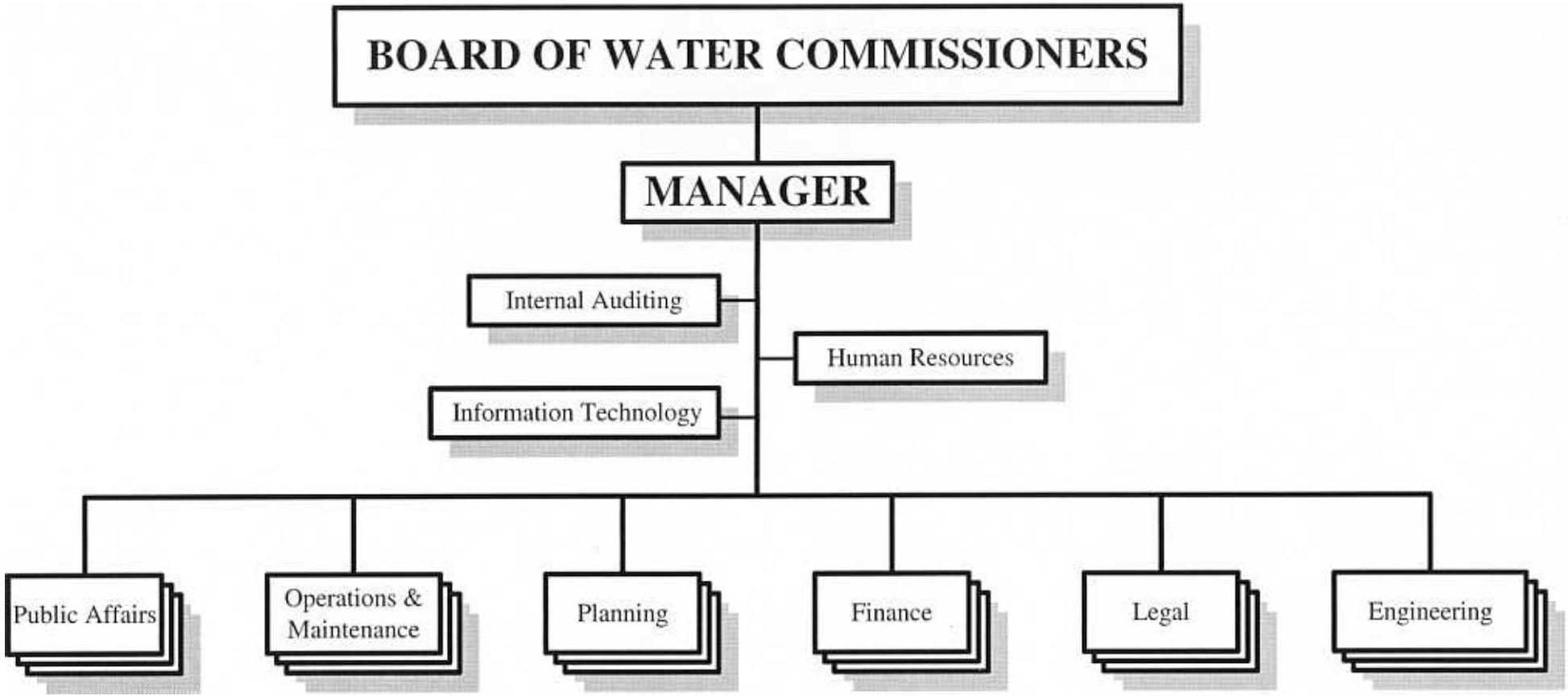
§10.1.17 Rules and regulations. The Board may adopt rules and regulations with respect to any matter within its jurisdiction as defined by Charter. It may provide for enforcement of its rules and regulations by imposing special charges in an amount reasonably calculated to secure compliance or recompense for water loss, to achieve water conservation and to reimburse the Board for expenses arising out of violation. In addition to any other lawful remedy, enforcement procedure may include refusal to supply water to a property involved. The City and County of Denver by ordinance may supplement Board rules and regulations and provide penalties for the violation of such an ordinance in the same manner as penalties are provided for the violation of other ordinances. Rules adopted by the Board and within its authority shall supersede any conflicting ordinance provision.

§10.1.18 Publication of rules and regulations. Rules and regulations adopted by the Board shall be effective after they shall have remained posted in a conspicuous public place in the principal business office of the Board for a period of fifteen calendar days. Whenever immediate application of a rule or regulation by the Board is necessary for the preservation of the public peace, health or safety, the Board may so declare, and such rule or regulation shall thereupon become effective immediately upon being posted as provided in this section.

§10.1.19 Continuity of control of water. The Board may make provision for retaining dominion over the water supply under its control through successive uses of such water, such as reuse and exchange. Such dominion shall not be affected by treatment of wastewater produced by use of the water supply.

§10.1.20 Disposition of former charter authority. The provisions of this Article X shall supersede any conflicting provision of the charter existing on May 19, 1959 when this article was adopted.

ORGANIZATION CHART - 2002



-Intergovernmental Affairs
-Community Relations
-Customer Service-Sales
-Customer Service-Office
-Water Conservation
-Customer Service-Field

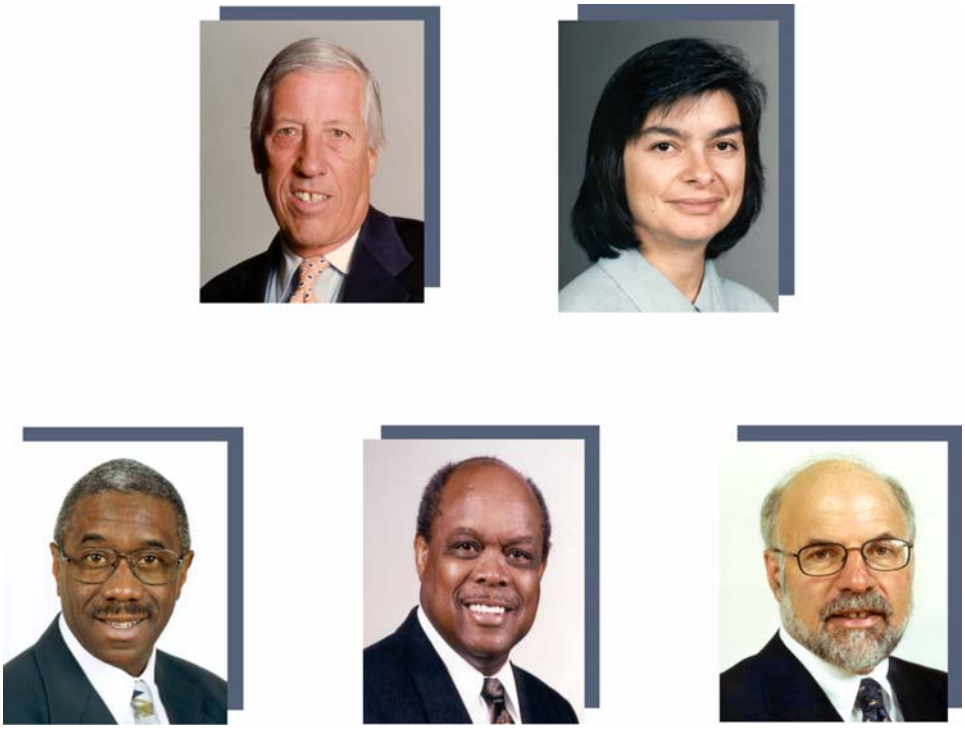
-Safety & Loss Control
-Source of Supply
-Water Treatment
-Water Quality & Compliance
-Treated Water Operations
-Instrumentation & Control Sys
-Transmission & Distribution
-Maintenance

-Hydraulics
-General Planning
-Water Rights
-Raw Water Supply
-Water Resources Analysis
-Environmental Planning

-Fiscal Planning & Perf
-Accounting
-Treasury Operations
-Rate Administration
-Purchasing
-Records & Doc Admin

General Counsel
Attorneys

·Construction Management
·Survey
·Projects
·Distribution & Prop Mgt

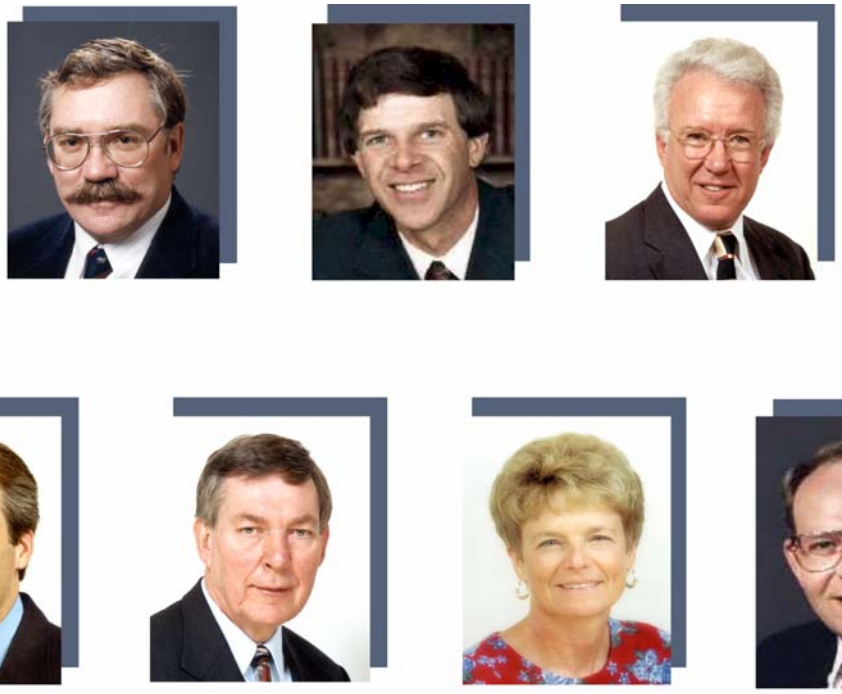


Top from left, Richard A. Kirk, Denise S. Maes; Bottom from left, Daniel E. Muse, William R. Roberts, Andrew D. Wallach

Richard A. Kirk, President Chairman, Richard Kirk & Associates	*Commissioner since July 21, 1993;* *Term expires July 10, 2005.*
Denise S. Maes, First Vice President Attorney: Kamlet, Shepherd, Reichert & Maes	*Commissioner since July 10, 1995;* *Term expires July 10, 2007.*
Daniel E. Muse Attorney: Pendleton, Friedberg, Wilson & Hennessey	*Commissioner since February 10, 2000;* *Term expires July 18, 2005*
William R. Roberts Marketing Director, Empire Construction Services	*Commissioner since August 12, 1997;* *Term expires July 10, 2003.*
Andrew D. Wallach Director of Policy and Implementation, City and County of Denver	*Commissioner since July 18, 2001;* *Term expires July 10, 2007.*

LAST 20 COMMISSIONERS

Leonard M. Campbell	July 12, 1965 to December 10, 1970	John A. Yelenick	July 14, 1969 to August 25, 1987
Armand Asborno	July 14, 1970 to July 2, 1973	Marguerite S. Pugsley	May 10, 1978 to August 25, 1987
Andrew Horan, Jr.	July 12, 1965 to January 1, 1976	Elizabeth Adrian Hennessey	November 4, 1985 to July 28, 1989
Richard S. Shannon, Jr.	July 9, 1973 to April 18, 1977	Malcolm M. Murray	August 25, 1987 to July 12, 1993
Don Friedman	April 27, 1977 to May 1, 1978	Donald L. Kortz	August 25, 1987 to July 12, 1993
William G. Temple	June 28, 1962 to July 13, 1978	Monte Pascoe	September 26, 1983 to July 10, 1995
Charles F. Brannan	December 14, 1970 to September 26, 1983	Romaine Pacheco	July 31, 1989 to July 10, 1995
James B. Kenney, Jr.	January 9, 1976 to September 26, 1983	Hubert A. Farbes, Jr.	July 8, 1985 to July 14, 1997
Charles G. Jordan	September 26, 1983 to June 28, 1985	Ronald L. Lehr	July 21, 1993 to April 20, 1999
D. Dale Shaffer	August 9, 1978 to July 8, 1985	Joe Shoemaker	July 10 , 1995 to July 9, 2001



Top from left, Manager Barry, Diebel, Jordan*; Bottom from left, LaFrance, Pokorney, Wells, Work

DISCRETIONARY PERSONNEL

(Employees Serving in Executive Discretionary Positions Solely at the Pleasure of the Board)

Manager and Administrative Staff
Hamlet J. Barry, III, Secretary-Manager
Jonathan L. Diebel, Director of Engineering
Charles G. Jordan, Director of Public Affairs*
David B. LaFrance, Director of Finance
Edward E. Pokorney, Director of Planning
Patricia L. Wells, General Counsel
Stephen W. Work, Director of Operations & Maintenance

Other Staff
John H. Bambei, Jr., Chief of Engineering
Edith A. Carlson, Manager of Internal Auditing
Christopher R. Dermody, Manager of Information Technology
Sara Duncan, Intergovernmental Affairs Coordinator
Elizabeth J. Earle, Manager of Public Relations
Carla Y. Elam-Floyd, Manager of Human Resources
Kathryn M. Kempke, Manager of Treasury Operations
Kerry D. Kuykendoll, Manager of Rate Administration
David L. Little, Manager of Water Resource Planning
Trina L. McGuire-Collier, Manager of Media Relations
Michael L. Walker, Attorney
Rockford D. Wiley, Manager of General Planning

*Retired December 20, 2002. Marie Bassett appointed as acting director.

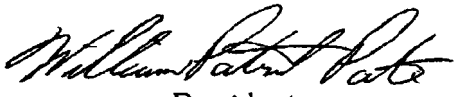
Certificate of Achievement for Excellence in Financial Reporting

Presented to

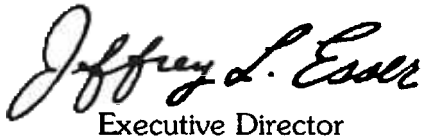
Denver Water, Colorado

For its Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President



Executive Director

FINANCIAL SECTION

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Honorable Donald J. Mares, Auditor,
and the Board of Water Commissioners
City and County of Denver, Colorado:

We have audited the accompanying statement of net assets of the Board of Water Commissioners, City and County of Denver, Colorado (the Board), a component unit of the City and County of Denver, Colorado, as of December 31, 2002, and the related statements of revenues, expenses and changes in fund net assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Board, as of and for the year ended December 31, 2001, were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements in their report dated March 15, 2002.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2002 financial statements referred to above present fairly, in all material respects, the financial position of the Board of Water Commissioners, City and County of Denver, Colorado, as of December 31, 2002, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Board has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of January 1, 2002.

The management's discussion and analysis on pages B-3 through B-16 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The accompanying supplemental information on pages B-41 through B-45 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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Grant Thornton LLP
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In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2003 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Grant Thornton LLP

Denver, Colorado
March 14, 2003

BOARD OF WATER COMMISSIONERS
CITY AND COUNTY OF DENVER, COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is management's discussion and analysis ("MD&A") of the financial activities of the Board of Water Commissioners (the "Board") for the year ended December 31, 2002. This information should be read in conjunction with the financial statements and notes which follow.

The Board implemented GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" in 2002, which establishes a new financial reporting model for state and local governments. Changes to the Board's financial reporting are described on page three of the notes to the financial statements under "Basis of Presentation."

FINANCIAL HIGHLIGHTS

- The Board's net assets (excess of assets over liabilities) at December 31, 2002 were $1.13 billion. Of this amount, $107 million represents unrestricted net assets and may be used to meet the Board's ongoing obligations.

- The Board's net assets increased $69 million, or 6%, during 2002. This is the result of $24 million in income before capital contributions (formerly net income) and $45 million in capital contributions, primarily system development charges.

- Operating income decreased $13 million, or 32%, and income before capital contributions (formerly net income) decreased $14 million, or 38%, primarily because of the drought and Hayman Fire.

- Capital contributions, primarily system development charges, increased $5 million, or 12%, during 2002 primarily due to payments by the Willows Water District for expansion of water service, and East Cherry Creek Valley Water and Sanitation District for non-potable water.

- The Board issued $11.61 million of General Obligation Water Refunding bonds during 2002, whose proceeds were used to pay principal of bonds which matured during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the Board's basic financial statements, which are comprised of five components: 1) statements of net assets, 2) statements of revenues, expenses and changes in fund net assets, 3) statements of cash flows, 4) notes to the financial statements, and 5) supplementary information.

The **statements of net assets** present information on all of the Board's assets and liabilities, with the difference between the two reported as ***net assets***. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Board is improving or deteriorating.

The **statements of revenues, expenses and changes in fund net assets** present information showing how the Board's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. This is known as the accrual basis of accounting. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future (e.g., unbilled water revenue and earned but unused vacation leave). This statement measures the success of the Board's operations over the past year and can be used to determine whether the Board has successfully recovered all its costs through its water rates and other charges.

The **statements of cash flows** report cash receipts, cash payments, and net changes in cash resulting from operating activities, capital and related financing activities, and investing activities for the year.

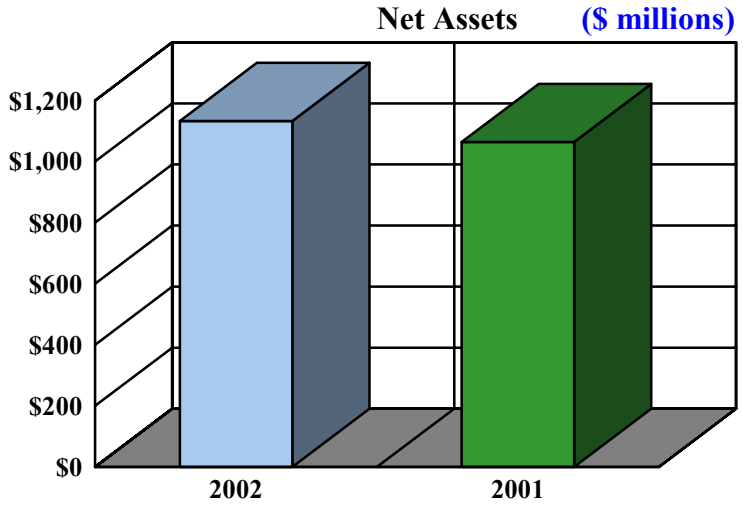
The **notes to the financial statements** provide additional information that is essential to a full understanding of the data provided in the financial statements, such as the Board's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Supplementary information provides details of the Board's capital assets and bonded debt.

FINANCIAL ANALYSIS

NET ASSETS

As discussed above, net assets may serve over time as a useful indicator of the Board's financial position. The Board's net assets were $1.13 billion at December 31, 2002 compared to $1.06 billion at December 31, 2001, an increase of $69 million or 6%.



Condensed Statements of Net Assets
(amounts expressed in thousands)

	As of December 31,		Increase	Percent
	2002	2001	(Decrease)	Change
Current and other assets	$ 199,710	$ 230,953	$ (31,243)	(14)%
Capital assets, net	1,319,641	1,220,205	99,436	8%
Total assets	1,519,351	1,451,158	68,193	5%
Current liabilities	51,530	48,007	3,523	7%
Long-term liabilities	334,701	339,170	(4,469)	(1)%
Total liabilities	386,231	387,177	(946)	(0.2)%
Net assets:				
Invested in capital assets, net of related debt	1,018,946	911,326	107,620	12%
Restricted	6,904	6,917	(13)	(0.2)%
Unrestricted	107,270	145,738	(38,468)	(26)%
Total net assets	$ 1,133,120	$ 1,063,981	$ 69,139	6%

By far, the largest portion of the Board's net assets reflects its investment in capital assets (i.e., utility plant), less any related debt used to acquire those assets that is still outstanding. The Board uses these capital assets to provide water, consequently, these assets are not available for future spending. Although the Board's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay

this debt must be provided from other sources, since the capital assets themselves are not intended to be used to liquidate these liabilities.

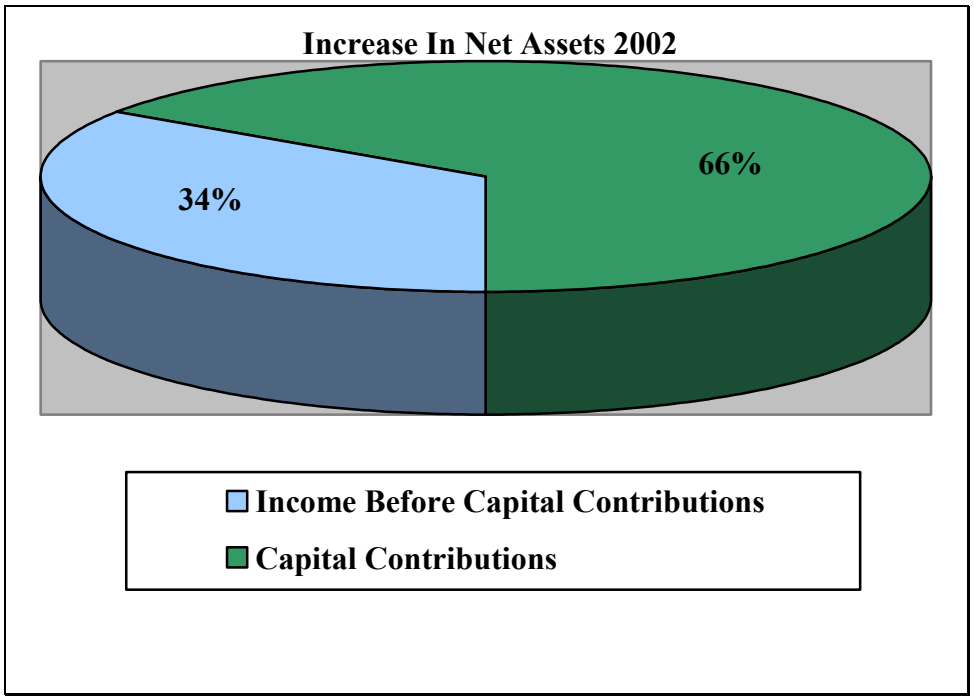
A small portion of the Board's net assets represents resources that are subject to external restrictions on how they may be used. The Board's restricted net assets consist of the reserve fund required for the Certificates of Participation displayed as restricted investments.

The remaining balance of the Board's net assets represents unrestricted net assets and may be used to meet the Board's ongoing obligations to creditors.

The Board's net asset increase of $69 million during the current year indicates an improved financial position. This increase is primarily reflected in the Board's investment in capital assets, net of related debt, offset by a decrease in unrestricted net assets. The increase in net capital assets is primarily construction in progress, the largest project being construction of the new recycling plant (see Note 17). The reduction in unrestricted net assets is primarily the decrease in temporary cash investments which reflects financing of capital projects.

CHANGE IN NET ASSETS

While the statements of net assets show the make-up of the Board's assets, liabilities and net assets at year-end, the statements of revenues, expenses and changes in fund net assets provide information on the source of the change during the year. The two sources of the increase in net assets of $69 million in 2002 were income before capital contributions (formerly net income) of $24 million and capital contributions of $45 million.

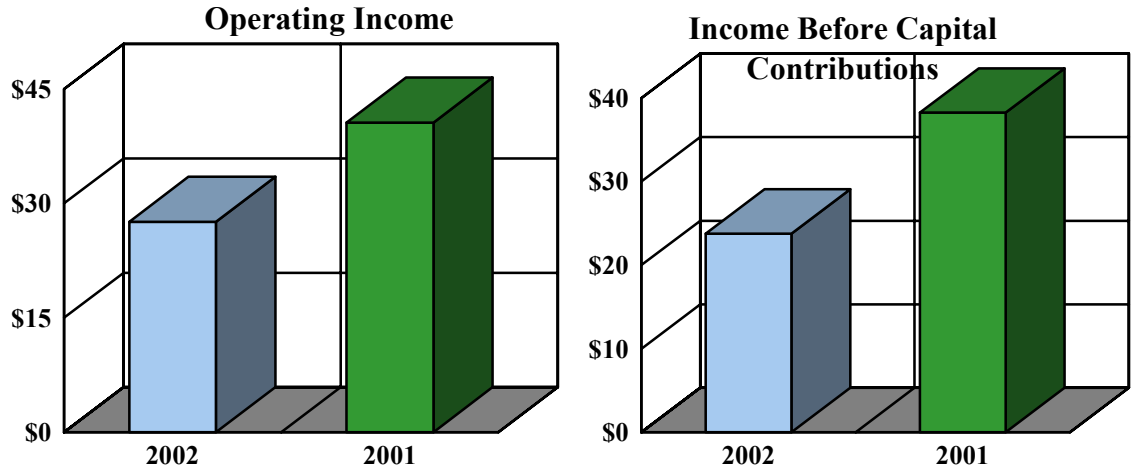


Condensed Statements of Revenues, Expenses and Changes in Fund Net Assets
(amounts expressed in thousands)

	Years Ended December 31, 2002	2001	Increase (Decrease)	Percent Change
Operating revenues	$ 148,262	$ 151,198	$ (2,936)	(2)%
Nonoperating revenues	12,749	16,667	(3,918)	(24)%
Total revenues	161,011	167,865	(6,854)	(4)%
Operating expenses	120,670	110,618	10,052	9%
Nonoperating expenses	16,567	18,990	(2,423)	(13)%
Total expenses	137,237	129,608	7,629	6%
Income before capital contributions (formerly net income)	23,774	38,257	(14,483)	(38)%
Capital contributions	45,365	40,592	4,773	12%
Increase in net assets	69,139	78,849	(9,710)	(12)%
Beginning net assets	1,063,981	985,132	78,849	8%
Ending net assets	$ 1,133,120	$ 1,063,981	$ 69,139	6%

Income before capital contributions (formerly net income) of $24 million in 2002 decreased $14 million, or 38%, from 2001. ***Operating income*** of $28 million in 2002 decreased $13 million, or 32%, from 2001.

($ millions)



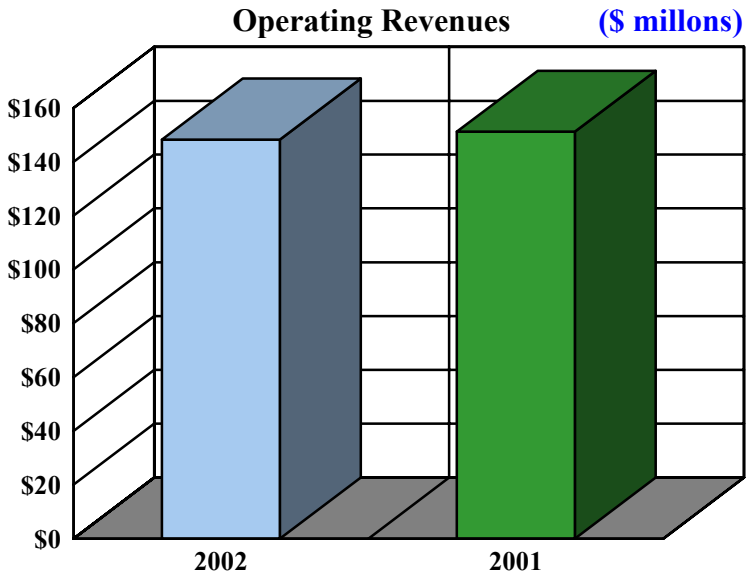
In general, two factors had a significant effect on the Board's operating results for the year and were the primary reasons for the decreases in operating income and income before capital contributions: 1) the worst drought in more than 300 years, and 2) the biggest forest fire in the history of Colorado.

The Board is currently experiencing the worst drought on record. Reservoirs fell to record lows and personnel from Planning and Public Affairs worked long hours to forecast future water supplies and to inform customers of ways to save water. Mandatory water restrictions, imposed in June, required hiring additional personnel in field and office Customer Services and many hours of overtime for other employees. The Board's expenditures for printing and advertising increased.

The Hayman Fire started near Lake George in June 2002 and burned 137,000 acres of forest land, about 7,000 on the Board's property. The fire consumed the land immediately around Cheesman Reservoir and a small area in the Strontia Springs Reservoir drainage. The soil around Cheesman was scorched, creating a glazed surface that would allow water to carry ash and debris into the reservoir after every rain. About 45 of Denver Water's Operations and Maintenance personnel were transferred to Cheesman to fell damaged trees, build check dams and install straw bales to slow erosion. Even with this effort, customers experienced some taste and odor problems in their water as the result of the fire and subsequent erosion.

Specifically, major changes in the statements of revenues, expenses and changes in fund net assets were as follows:

- **OPERATING REVENUES** decreased $2.9 million, or 2%, as follows:



Operating Revenues
(amounts expressed in thousands)

	Years Ended December 31, 2002	2001	Increase (Decrease)	Percent Change
Water:				
Water sales	$ 140,694	$ 145,565	$ (4,871)	(3)%
Drought surcharges	2,193		2,193	
	142,887	145,565	(2,678)	(2)%
Power generation and other:				
Power sales	1,353	2,085	(732)	(35)%
Special assessments	4,022	3,548	474	13%
	5,375	5,633	(258)	(5)%
Total operating revenues	$ 148,262	$ 151,198	$ (2,936)	(2)%

Water sales decreased due to a 7% decrease in treated water consumption (75.2 million gallons compared to 81.1 million gallons) caused by mandatory drought restrictions. The decline in consumption was offset by a rate increase effective January 1, 2002.

Drought surcharges - In response to the drought, the Board approved temporary drought surcharges targeted to reduce consumption by 10%, effective November 1, 2002, and approved a tap surcharge effective September 18, 2002, which is based on

20% of the existing system development charge ("SDC"). Proceeds from the tap surcharge are not considered as part of SDCs but are classified as water revenue and are used for conservation rebates.

Power Sales decreased due to drought conditions at Dillon, Strontia Springs, Foothills and Roberts Tunnel.

Special assessments increased due to charges for drought water violations beginning in July 2002 and fees for drought restriction exemption permits.

- **NONOPERATING REVENUES** decreased $3.9 million, or 24%, as follows:

Nonoperating Revenues
(amounts expressed in thousands)

	Years Ended December 31, 2002	2001	Increase (Decrease)	Percent Change
Investment income	$ 8,184	$ 8,665	$ (481)	(6)%
Other nonoperating income	4,565	8,002	(3,437)	(43)%
Total nonoperating revenues	$ 12,749	$ 16,667	$ (3,918)	(24)%

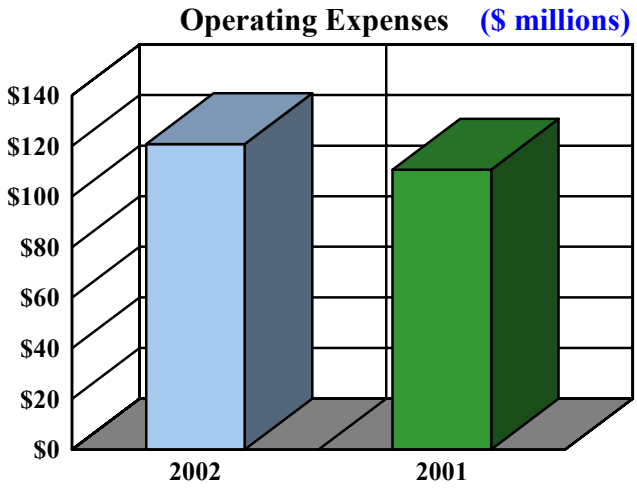
Investment income decreased due to historic lows in interest rates.

Other nonoperating income decreased due to the receipt of $5.1 million during 2001 from a lawsuit settlement related to manufacturer defects of conduits 94 and 55, which resulted in water main breaks in 1997 and 1998, respectively. This was offset by receipt of the following federal grants during 2002:

As a result of the Hayman Fire, the Board entered into an agreement with the U.S. Department of Agriculture Natural Resources Conservation Service ("NRCS") on September 16, 2002 under their Emergency Watershed Protection Program whereby they will reimburse the Board for 75% of its total costs up to $3,224,000, or $2,418,000, for restoration of the land damaged by the fire around Cheesman Reservoir. The length of the agreement is for 220 days. As of December 31, 2002, $1,636,000 of this amount was earned and recorded in other nonoperating income.

The Board also entered into an agreement with the U.S. Environmental Protection Agency on November 29, 2002 under Section 319 of the Clean Water Act whereby they will reimburse the Board for 60% of its total costs up to $833,333, or $500,000, to revegetate the burn area surrounding Cheesman Reservoir through a seeding and mulching effort. The agreement is effective through December 31, 2003. As of December 31, 2002, $65,000 of this amount was earned and recorded in other nonoperating income.

- **OPERATING EXPENSES** increased $10.1 million, or 9%, as follows:



Operating Expenses
(amounts expressed in thousands)

	Years Ended December 31, 2002	2001	Increase (Decrease)	Percent Change
Source of supply	$ 10,624	$ 6,749	$ 3,875	57%
Pumping	5,178	5,811	(633)	(11)%
Treatment	14,326	14,433	(107)	(1)%
Transmission & distribution	18,338	17,181	1,157	7%
General	6,752	5,120	1,632	32%
Administrative	30,170	28,646	1,524	5%
Customer service	9,459	7,115	2,344	33%
Depreciation and amortization	25,431	24,247	1,184	5%
Uncleared overhead	392	1,316	(924)	(70)%
Total operating expenses	$ 120,670	$ 110,618	$ 10,052	9%

Source of supply expenses increased due to emergency reclamation work at Cheesman Reservoir to stabilize the slopes damaged by the Hayman Fire. The cost of this work was partially offset by federal grants discussed above.

Transmission and distribution expenses increased due to increased maintenance on mains and valves.

General expenses increased due to increased security measures against potential terrorist activities.

Administrative expenses increased due to increased information technology costs for hardware, software and maintenance, and write off of personal computer equipment due to the increased capitalization limit from $1,000 to $2,500 in 2001.

Customer service expenses increased due to drought related activities discussed above.

Depreciation increased due to an increase in depreciable gross capital assets.

Uncleared overhead represents the difference between estimated and actual overhead rates used to allocate employee benefits, leaves, vehicles and equipment. A positive balance indicates under-cleared overhead and a negative balance indicates over-cleared overhead.

- **NONOPERATING EXPENSES** decreased $2.4 million, or 13%, as follows:

Nonoperating Expenses
(amounts expressed in thousands)

	Years Ended December 31, 2002	2001	Increase (Decrease)	Percent Change
Interest expense	$ 12,315	$ 13,811	$ (1,496)	(11)%
Loss on disposition of capital assets	1,314	2,410	(1,096)	(45)%
Other nonoperating expense	2,938	2,769	169	6%
Total nonoperating expenses	$ 16,567	$ 18,990	$ (2,423)	(13)%

Interest expense decreased due to an increase in amounts capitalized for construction work in progress, primarily the construction of the new recycling plant, plus decreased interest rates.

Loss on disposition of capital assets decreased due to write-offs in 2001 for Conduits 55 and 94 of $1 million and general equipment of $.7 million as a result of the increased capitalization limit from $1,000 to $2,500 in 2001.

- **CAPITAL CONTRIBUTIONS** increased $4.8 million, or 12%, as follows:

Capital Contributions
(amounts expressed in thousands)

	Years Ended December 31, 2002	2001	Increase (Decrease)	Percent Change
Contributions in aid of construction	$ 9,690	$ 18,172	$ (8,482)	(47)%
System development charges	35,675	22,420	13,255	59%
Total capital contributions	$ 45,365	$ 40,592	$ 4,773	12%

Contributions in aid of construction ("CAC") decreased due to a $9.2 million conveyance of South Adams County Water and Sanitation District storage facilities and improvements in 2001 (see Note 9).

System development charges increased as a result of a $9.1 million payment by Willows Water District for expansion of water service, and a $4 million payment by East Cherry Creek Valley Water and Sanitation District for non-potable water.

CAPITAL ASSET ACTIVITY

At year-end, the Board's investment in capital assets amounted to $1.3 billion, net of accumulated depreciation. Capital asset additions during the year compared to the prior year were as follows:

Capital Assets Additions
(amounts expressed in thousands)

	As of December 31, 2002	As of December 31, 2001	Increase (Decrease)	Percent Change
Source of supply plant	$ 9,342	$ 8,644	$ 698	8%
Pumping plant	1,155	1,652	(497)	(30)%
Water treatment plant	1,704	2,263	(559)	(25)%
Transmission & distribution plant	21,163	(17,375)	38,538	(222)%
General plant & equipment	4,579	7,860	(3,281)	(42)%
Leasehold & other improvements	12,124	51,740	(39,616)	(77)%
Land held for future use	-	-	-	-
Nonutility plant in service	63	10	53	530%
Utility plant under capital lease	-	-	-	-
Construction in progress	78,349	49,927	28,422	57%
Total capital asset additions	$ 128,479	$ 104,721	$ 23,758	23%

The largest addition in 2002 is $78 million in construction in progress, which largely represents construction of the new recycling plant (See Note 17), and filtration system improvements at Marston treatment plant. The $21 million increase in transmission & distribution plant represents replacement of Conduit 94, development of the former Stapleton airport and other new mains and hydrants.

See Note 4 and Exhibit I for more details.

LONG-TERM DEBT ACTIVITY

During the year, the Board issued $11.61 million of City and County of Denver general obligation ("GO") water refunding bonds, whose proceeds were used to pay principal of bonds which matured during the year.

Due to the Federal Reserve's aggressive policy of lowering interest rates following the events of September 11, yields available on potential investments are at historic lows. In view of this the most economical use of cash available for investment would be to reduce outstanding debt. In December 2001, the Board approved repurchasing and retiring of not more than $10 million of Denver Water's debt on the open market. During 2002, $1,325,000 in principal of General Obligation Water Bonds and $35,000 in principal of Certificates of Participation were repurchased. Additionally $1,335,000 of Series 1992 General Obligation Bonds were retired at the call date.

The Board also made regularly scheduled debt service and capital lease payments during the year totaling $20,920,000. This amount consists of $4,260,000 and $893,000,

respectively, in principal payments for Certificates of Participation and for the Wolford Mountain Capital Lease. Interest payments of $3,087,000, $2,107,000 and $10,573,000, respectively, were paid when due for Certificates of Participation, Wolford Mountain Capital Lease and General Obligation Water Refunding Bonds.

At December 31, 2002, bonds totaling $205,480,000 were outstanding. Since the Board is committed to repay the bonds and related interest from its revenues, they are not included in any City debt limitations. At the time of sale of the Series 2002 bonds, the Board received an AA+ rating from Standard & Poor's Rating Group, an AA+ rating from Fitch Ratings and an Aa1 rating from Moody's Investors Service, Inc. At year-end, Denver Water had obligations totaling $63,590,000 under Certificates of Participation, and $30,536,000 Obligation under Capital Lease.

On November 5, 2002 the Board proposed, and the voters approved, a City Charter amendment which eliminates the Board's ability to issue GO bonds and gives the Board authority to issue revenue bonds without a vote. Although GO bonds tend to achieve a lower interest rate, revenue bonds are more flexible and will enable the Board to respond to market conditions in a more timely manner.

See Notes 6, 7, and 8 for more details.

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

This section discusses currently known facts, decisions or conditions as of the date of the auditor's report that are expected to have a significant effect on the Board's financial position (net assets) or results of operations (revenues, expenses, and other changes in net assets).

As discussed above, the drought and Hayman Fire had an adverse impact on 2002 operating results and will continue to have an adverse impact on future operations. The 2003 budget includes the following assumptions related to these events:

- Revenues from water sales are estimated to decrease approximately 9% from 2002 due to drought water restrictions, but will be roughly offset by drought surcharges.

- Operating expenses for drought and fire related activities will be approximately $2.7 million and $.4 million, respectively, for a total of $3.1 million, a decrease of $2.3 million from 2002.

- Capital spending for drought and fire related activities will be approximately $5.1 million and $1.7 million, respectively, for a total of $6.8 million, an increase of $5.1 million from 2002.

- Reimbursements earned from NRCS and EPA grants for the Hayman Fire is anticipated to be $1.2 million in 2003 ($1.7 million was recorded in 2002).

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Board's finances for all those with an interest in the Board's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Finance Director
Denver Water
1600 W. 12th Ave.
Denver, Co 80204

BOARD OF WATER COMMISSIONERS
CITY AND COUNTY OF DENVER, COLORADO

STATEMENTS OF NET ASSETS
AS OF DECEMBER 31, 2002 AND 2001
(amounts expressed in thousands)

	2002	2001
ASSETS		
CURRENT ASSETS:		
Cash	$ 314	$ 859
Temporary cash investments, at fair value, including accrued interest	100,268	141,678
Accounts receivable	18,370	18,525
Materials and supplies inventory, at weighted average cost	5,355	5,565
Total current assets	124,307	166,627
RESTRICTED INVESTMENTS	6,904	6,917
CAPITAL ASSETS:		
Utility plant	1,461,900	1,416,714
Nonutility plant	7,610	7,697
	1,469,510	1,424,411
Less accumulated depreciation and amortization	(388,318)	(364,865)
	1,081,192	1,059,546
Utility plant under capital lease, less accumulated amortization of $3,985 and $3,426, respectively	38,996	39,555
Construction in progress	199,453	121,104
Net capital assets	1,319,641	1,220,205
OTHER LONG-TERM ASSETS:		
Long-term investments	60,955	50,568
Deferred charges, less accumulated amortization of $178 and $162, respectively	3,001	2,961
Long-term receivable	4,543	3,880
Total assets	1,519,351	1,451,158

The accompanying notes are an integral part of these financial statements.

BOARD OF WATER COMMISSIONERS
CITY AND COUNTY OF DENVER, COLORADO

STATEMENTS OF NET ASSETS
AS OF DECEMBER 31, 2002 AND 2001
(amounts expressed in thousands)

	2002	2001
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	$ 7,102	$ 8,241
Accrued payroll, vacation and other employee benefits	10,535	10,571
Construction contracts (including retainages of $5,265 and $2,660, respectively)	12,252	7,843
Accrued interest on long-term debt	4,274	4,589
Unearned revenue	22	
Current portion of bonds payable	11,960	11,610
Current portion of certificates of participation	4,430	4,260
Current portion of obligation under capital lease	955	893
Total current liabilities	51,530	48,007
LONG-TERM LIABILITIES:		
Bonds payable, net	195,249	198,716
Certificates of participation, net	58,520	62,864
Obligation under capital lease	29,581	30,536
Customer advances for construction	44,102	39,777
Accrued sick leave	5,233	5,153
Waste disposal closure and postclosure care	2,016	2,124
Total long-term liabilities	334,701	339,170
Total liabilities	386,231	387,177
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Invested in capital assets, net of related debt	1,018,946	911,326
Restricted for Certificates of Participation reserve fund	6,904	6,917
Unrestricted	107,270	145,738
Total net assets	$1,133,120	$1,063,981

The accompanying notes are an integral part of these financial statements.

BOARD OF WATER COMMISSIONERS
CITY AND COUNTY OF DENVER, COLORADO

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
(amounts expressed in thousands)

	Years Ended December 31,	
	2002	2001
OPERATING REVENUES:		
Water	$ 142,887	$ 145,565
Power generation and other	5,375	5,633
Total operating revenues	148,262	151,198
OPERATING EXPENSES:		
Source of supply, pumping, treatment and distribution	48,089	43,756
General and administrative	37,691	35,500
Depreciation and amortization	25,431	24,247
Customer service	9,459	7,115
Total operating expenses	120,670	110,618
OPERATING INCOME	27,592	40,580
NONOPERATING REVENUES (EXPENSES):		
Investment income	8,184	8,665
Interest expense, less capitalized interest of $2,887 and $1,702, respectively	(12,315)	(13,811)
Gain (loss) on disposition of property, plant and equipment	(1,314)	(2,410)
Other income, net	1,627	5,233
Net nonoperating expenses	(3,818)	(2,323)
INCOME BEFORE CAPITAL CONTRIBUTIONS	23,774	38,257
CAPITAL CONTRIBUTIONS:		
Contributions in aid of construction	9,690	18,172
System development charges	35,675	22,420
Total capital contributions	45,365	40,592
INCREASE IN NET ASSETS	69,139	78,849
NET ASSETS:		
Beginning of year	1,063,981	985,132
End of year	$1,133,120	$1,063,981

The accompanying notes are an integral part of these financial statements.

BOARD OF WATER COMMISSIONERS
CITY AND COUNTY OF DENVER, COLORADO

STATEMENTS OF CASH FLOWS
(amounts expressed in thousands)

	Years Ended December 31,	
	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	$148,920	$147,976
Payments to employees	(66,455)	(60,584)
Payments to suppliers	(27,614)	(21,838)
Other receipts	5,708	10,246
Other payments	(7,098)	(5,414)
Net cash provided by operating activities	53,461	70,386
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from contributions in aid of construction and customer advances for construction	7,728	11,067
Proceeds from system development charges	35,675	22,420
Proceeds from sales of capital assets	289	543
Proceeds from long-term bonds, plus premium, less discount	11,518	11,485
Proceeds from certificates of participation, plus premium	-	21,593
Acquisition of capital assets	(114,852)	(95,565)
Principal payments for long-term bonds	(11,610)	(12,000)
Retirements of long-term bonds	(2,660)	-
Principal payments for certificates of participation	(4,295)	(3,005)
Principal payments for capital lease obligations	(893)	(836)
Interest paid	(15,760)	(15,367)
Net cash used for capital and related financing activities	(94,860)	(59,665)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	570,891	413,667
Interest received from investments	8,090	10,377
Purchase of investments	(538,127)	(434,491)
Net cash provided by (used for) investing activities	40,854	(10,447)
NET (DECREASE) INCREASE IN CASH	(545)	274
CASH, AT BEGINNING OF YEAR	859	585
CASH, AT END OF YEAR	$ 314	$ 859

The accompanying notes are an integral part of these financial statements.

BOARD OF WATER COMMISSIONERS
CITY AND COUNTY OF DENVER, COLORADO

STATEMENTS OF CASH FLOWS
(amounts expressed in thousands)

	Years Ended December 31, 2002	2001
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$27,592	$40,580
Adjustments to reconcile operating income to net cash provided by operating activities-		
Other nonoperating revenue and expense items, net	3,663	7,449
Change in fair value of investments	(1,634)	(681)
Depreciation and amortization of property, plant and equipment	25,431	24,247
Change in assets and liabilities-		
Accounts receivable	(508)	(3,222)
Materials and supplies inventory	164	(383)
Deferred charges	(66)	(622)
Accounts payable	(1,139)	3,806
Accrued payroll, vacation and other employee benefits	44	(816)
Unearned revenue	22	-
Waste disposal closure and postclosure care	(108)	28
Net cash provided by operating activities	$53,461	$70,386
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:		
Assets acquired through capital contributions (see Note 1 - Property, Plant and Equipment)	$ 6,287	$ 5,160
Increase in fair value of investments	1,634	681

The accompanying notes are an integral part of these financial statements.

BOARD OF WATER COMMISSIONERS
CITY AND COUNTY OF DENVER, COLORADO

NOTES TO FINANCIAL STATEMENTS - CONTENTS
DECEMBER 31, 2002 AND 2001

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Board of Water Commissioners (the "Board") was created under the Charter of the City and County of Denver, Colorado (the "City") as an independent, nonpolitical board. The Board has complete charge and control of a water works system and plant, which supplies water to customers located within the City and to entities serving other customers located in certain outlying areas in the Denver metropolitan area.

The Board has a five-member governing body, which is appointed by the Mayor of the City for overlapping six-year terms. In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 14, "*The Financial Reporting Entity*," the Board would be classified as 1) an "other stand-alone government" since the Board is a legally separate and distinct entity from the City under the Charter of the City, and the City is not financially accountable for the Board, and 2) a "related organization" since the Mayor of the City appoints the Board's governing body, but is not financially accountable. However, the City has elected to include the Board's financial statements in the City's general purpose financial statements as a component unit enterprise fund because, in the City's opinion, the nature and significance of the Board's relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete.

As required by accounting principles generally accepted in the United States of America, the Board's financial statements present the Board and its component units. The Board has no component units; however, it does have an interest in a component unit of the City as discussed below. It is blended with the Board's reporting entity because of the significance of its operational or financial relationship with the Board.

The Denver Capital Leasing Corporation ("DCLC") was organized by the City as a nonprofit corporation in accordance with state law to facilitate financing of certain capital projects for the City and the Board. DCLC is governed by a three-member board appointed by the Mayor, and is reported as a component unit of the City. It is similar to an "undivided interest," an ownership arrangement in which two or more parties own property in which title is held individually to the extent of each party's interest, each party is liable for specific, identifiable obligations, and borrowing is done individually. Each party reports its own assets, liabilities, revenues, and expenses.

DCLC entered into a Master Lease Purchase Agreement ("MLPA") with the Board pursuant to which the Board leases from DCLC certain facilities. The Board constructed the facilities with proceeds from the execution and delivery of Certificates of Participation ("Certificates"), evidencing assignments of proportionate interests in rights to receive certain revenue of the Board under its MLPA with DCLC. The Certificates are payable solely from the Board's lease payments under the MLPA. DCLC has no obligation to make any payment on the Certificates. As the Board effectively has assumed substantially all of the risks and rewards of ownership, the Board accounts for the leased assets and related lease obligations as its own assets and its own debt (see Note 7).

The Employees' Retirement Plan of the Denver Board of Water Commissioners, (the "Plan"), the Board's trusteed single-employer defined benefit pension plan, is part of the Board's entity but has been excluded for financial reporting purposes because of the following provision of the Plan (see Note 12):

> The Plan and the Retirement Trust Fund created by the Plan were established and shall be maintained for the exclusive benefit of the eligible employees of the Board and their beneficiaries. No part of the Retirement Trust Fund can ever revert to the Board or be used for or diverted to purposes other than the exclusive benefit of the employees of the Board and their beneficiaries or the payment of expenses of the Plan.

Separate audited financial statements are available for the Plan.

Measurement Focus and Basis of Accounting

The Board's financial statements are accounted for on the flow of economic resources measurement focus, using the accrual basis of accounting. Under this method, all assets and liabilities associated with operations are included on the statement of net assets, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

Accounting Standards

The Board applies all applicable pronouncements of the GASB as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board ("FASB"), Opinions of the Accounting Principles Board, and Accounting Research Bulletins of the Committee on Accounting Procedure of the American Institute of Certified Public Accountants. In accordance with GASB Statement No. 20, the Board has elected not to apply FASB pronouncements issued after November 30, 1989.

Basis of Presentation

The Board implemented GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" and Statement No. 37 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus" in 2002, which establishes a new financial reporting model for state and local governments. Changes to the Board's financial reporting include:

a) Addition of a *"management's discussion and analysis"* ("MD&A"), which is considered to be required supplementary information and precedes the financial statements.

b) Change in terminology of the balance sheet to *"statement of net assets."* Changes in this statement are:

- Change from the balance sheet format (assets equal liabilities plus equity) to the net assets format (assets minus liabilities equal net assets).
- Change in terminology of "property, plant and equipment" to *"capital assets."*
- Change in terminology of "equity" to *"net assets."* The net assets section changed as follows:

  Contributed capital (contributions in aid of construction and system development charges) and retained earnings have been replaced by the following categories of net assets:

Invested In Capital Assets, Net of Related Debt – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of debt attributable to the acquisition of those assets, i.e., short and long-term bonds, Certificates of Participation and obligation under capital lease. Significant unspent debt proceeds are excluded.

Restricted – Consists of net assets constrained by external parties. In the case of the Board, Certificates of Participation reserve fund.

Unrestricted – Consists of assets and liabilities not included above.

c) In the statements of revenues, expenses and changes in fund net assets:

- "Net income" has been replaced by *"income before capital contributions."*
- The current year's capital contributions (contributions in aid of construction and system development charges) are now shown on this statement (see Note 15).
- The total of "income before capital contributions" and "capital contributions" is "*increase in net assets*" and is the measure used for assessing if overall financial position has improved or deteriorated as a result of the year's operations.

The 2001 financial statements were restated to conform to the new presentation.

The Board implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 38, "Certain Financial Statement Note Disclosures," in 2001.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates may affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

The definition of cash for purposes of the statements of cash flows is cash on hand and equity in treasurer's cash which represents cash on deposit with the City Treasurer in the Water Works Fund. Treasurer's cash is available for immediate withdrawal upon request by the Board.

Investments

The Board's investments consist of money market investments (commercial paper, money market mutual funds, and U.S. Treasury and agency obligations) and corporate bonds. The method of valuation for all investments is fair value (see Note 2).

Materials and Supplies Inventory

Materials and supplies inventory is valued at weighted average cost, which approximates market.

Restricted Investments and Flow Assumption for Restricted Assets

Restricted investments consist of the reserve fund required by the MLPA established from proceeds of Certificates. The reserve fund is to be used only in the event the Board fails to make any base rental payments or other payments and fees defined in the MLPA from unrestricted assets. At the end of the lease term, the reserve fund and any related interest will be released to the Board.

Capital Assets

Purchased and constructed capital assets are recorded at cost. Donated capital assets are recorded at their estimated fair market value on the date received. Assets are capitalized if they have a cost of $2,500 or more and have a useful life of more than one year.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the respective depreciable or amortizable asset classes as follows:

Buildings and improvements	10 - 80 years
Motor vehicles and motorized equipment	7 - 50 years
Furniture, machinery and equipment	5 - 20 years

In 2001, as part of the Board's evaluation of long-lived assets, management evaluated the lives of certain water meters recorded by the Board. Based upon this evaluation, the Board concluded that a 30-year life for the meters is a more accurate estimate of the useful life of the meters as opposed to the original 80-year life. The new useful life of 30 years is effective on a prospective basis beginning in 2001. The effect of this change is to increase annual depreciation expense by $751,000.

Maintenance and repairs are charged to expense as incurred, whereas major betterments are capitalized and depreciated or amortized. At the time of retirement or disposition of depreciable property, the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss is reflected in nonoperating revenues (expenses).

Costs of certain engineering, feasibility, environmental and other studies are capitalized until the related projects become operational. When projects become operational, the costs are transferred to property, plant and equipment and depreciated over the estimated useful life of the asset. In the event the projects do not become operational or the costs do not benefit future projects, all accumulated costs are expensed in the period such determination is made. If the projects become inactive but are not abandoned, the costs are carried as deferred charges and amortized over their estimated useful lives, or until the related projects become operational or abandoned. At December 31, 2002 and 2001, inactive development costs included in deferred charges which, in the Board's opinion, will be used in connection with future construction activities, totaled $146,000 and $162,000, respectively, net of amortization.

Interest during the construction period is capitalized on major construction projects. Certain applicable general and administrative costs of an overhead nature are also capitalized, and such costs are depreciated over the estimated useful lives of the related assets when the related assets are transferred to capital assets.

Contributions

Contributions consist of contributions in aid of construction ("CAC") and system development charges ("SDC"). CAC represent facilities, or cash payments for facilities, received from property owners, governmental agencies and customers who receive benefit from such facilities. SDC represent fees charged to customers to connect to the water system. Contributions are recognized in the statement of revenues, expenses, and changes in fund net assets, after nonoperating revenues (expenses), when earned. Assets acquired through CAC and SDC are included in capital assets. Depreciation applicable to such assets is

computed using the straight-line method over 80 and 60 years for CAC and SDC assets, respectively, and is included in operating expenses (see Note 15).

Employee Compensated Absences

The Board's policy is to accrue as an expense and liability employee vacation, sick leave and other compensated absences when the employee vests in such benefits.

Operating Revenues and Expenses

Operating revenues consist primarily of charges to customers for the sale of water and incidentally for the sale of power. Operating expenses consist of the cost of providing water, including administrative expenses and depreciation on capital assets. All other revenues and expenses are classified as nonoperating.

The Board accrues for estimated unbilled revenues for water provided through the end of each year since the last reading of the meters based on the billing cycle.

Rates

Under the City Charter, the Board is empowered to set rates for all of its customers. These rates "...may be sufficient to pay for operation, maintenance, reserves, debt service, additions, extensions, betterments, including those reasonably required for the anticipated growth of the Denver metropolitan area, and to provide for Denver's general welfare...."

On September 19, 2000, the Board approved a rate increase, effective January 1, 2001, which is estimated to increase normalized annual revenues by 2.4%.

On September 18, 2001, the Board approved a rate increase, effective January 1, 2002, which is estimated to increase normalized annual revenues by 2.5%.

On September 4, 2002, the Board approved a rate increase, effective January 1, 2003, which is estimated to increase normalized annual revenues by 3.1%.

On December 18, 2002, the Board approved an increase in System Development Charges, effective December 18, 2002, by an average of 10%.

In response to the drought, the Board approved the following temporary drought surcharges:

On August 22, 2002, the Board approved consumption surcharges, effective November 1, 2002, which are targeted to reduce consumption by 10%.

On September 18, 2002, the Board approved a tap surcharge effective September 18, 2002, which is 20% of the existing System Development Charge.

(2) DEPOSITS AND INVESTMENTS

Colorado statutes and the City Charter authorize the Board to expend funds for the operation of the Board, including the purchase of investments. The Board has an investment policy that allows for the following investments:

- U.S. Government direct obligations and unconditionally guaranteed federal agency securities

- Other federal agency securities
- Commercial paper
- Investment Grade Corporate Bonds
- Money market mutual funds

The Board's investments are categorized to give an indication of the level of custodial credit risk assumed by the Board at year-end. Under the criteria of GASB Statement No. 3, "*Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements*," ("GASB No. 3"), Category 1 includes investments which are insured or registered or held by the Board or its agent in the Board's name; Category 2 includes investments which are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Board's name; and Category 3 includes investments which are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the Board's name.

The Board's restricted and unrestricted investments (current and long-term) at December 31, 2002 and 2001, at fair value, consisted of the following (amounts expressed in thousands):

	Carrying Amount at Fair Value Years Ended December 31,	
	2002	2001
U.S. government and agency securities	$ 88,373	$ 124,232
Corporate obligations	62,208	35,201
Total Category 1	150,581	159,433
Money market mutual funds (not categorized)	17,546	39,730
	$ 168,127	$ 199,163

The Board's bank balances are also categorized to give an indication of the level of custodial credit risk assumed by the Board at year-end. Under the criteria of GASB No. 3, Category 1 includes bank balances which are insured or collateralized with securities held by the Board or its agent in the Board's name; Category 2 includes bank balances which are collateralized with securities held by the pledging financial institution's trust department or agent in the Board's name; and Category 3 includes bank balances which are uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Board's name).

The carrying amount of cash at December 31, 2002, was $314,000, and the bank balances totaled $889,000. Of the total of bank balances, $100,000 was insured by federal depository insurance (Category 1), and the remainder was collateralized with securities held by banks in their trust departments pursuant to the Colorado Public Deposit Protection Act, and as such, are classified as Category 2.

(3) ACCOUNTS RECEIVABLE

Accounts Receivable at December 31, 2002, were as follows (amounts expressed in thousands). Other Receivables include receivables for contributions in aid of construction, system development charges, nonpotable and hydrant water sales, and power sales.

Receivables for Treated Water Sales	$ 12,457	68%
Other Receivables	5,913	32%
	$ 18,370	100%
Receivables from City and County of Denver (included above):		
Receivables for Treated Water Sales	$ 131	
Other Receivables	157	
	$ 288	

(4) CAPITAL ASSETS

A summary of capital asset activity for the year ended December 31, 2002 is as follows. Details are in Exhibit I:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated	$ 135,177	$ 78,349	$ (10)	$ 213,516
Capital assets being depreciated	1,453,319	50,130	(5,021)	1,498,428
Accumulated depreciation	(368,291)	(27,692)	3,680	(392,303)
Capital assets being depreciated, net	1,085,028	22,438	(1,341)	1,106,125
Total capital assets, net	$1,220,205	$100,787	$ (1,351)	$1,319,641

Depreciation and amortization for the years ended December 31, 2002 and 2001 were as follows (amounts expressed in thousands):

	Years Ended December 31,	
	2002	2001
Operating expenses, water service	$ 25,431	$ 24,247
Nonoperating expenses	110	112
Other, as allocated	2,167	1,964
Total depreciation and amortization	27,708	26,323
Less amortization of plant-related studies included in deferred charges	(16)	(16)
Total depreciation and amortization of property, plant and equipment	$ 27,692	$ 26,307

(5) RISK MANAGEMENT

The Board is exposed to various risks of losses including general liability (limited under the Colorado Governmental Immunity Act to $150,000 per person and $600,000 per occurrence), property damage, and employee life, medical, dental, and accident benefits. The Board has a risk management program that includes self-insurance for liability, and self-insurance for employee medical and dental benefits through a commercial claims servicer. The Board carries commercial property insurance for catastrophic losses, including floods and earthquakes, for five major facilities: the Westside Complex, Marston Treatment Plant and Lab, Moffat Treatment Plant, Foothills Water Treatment Plant, and the Reuse Plant. It carries limited insurance for other miscellaneous locations. The Board also carries commercial insurance for employee life, accident, and workers' compensation. Workers' compensation insurance is under a retrospectively rated policy whereby the initial premiums are adjusted based on actual experience during the period of coverage. Settled claims have not exceeded commercial insurance coverage in any of the past three years.

Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Premiums on the retrospectively rated policy are accrued based on the ultimate cost of the experience to date. These losses include an estimate of claims that have been incurred but not reported. At December 31, 2002, claims liabilities consisting of medical and dental benefits were $1,084,000. Changes in the balances of these liabilities during 2002 and 2001 were as follows (amounts expressed in thousands):

	Beginning-of-Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Year-End
2002	$ 1,542	$ 7,300	$ (7,758)	$ 1,084
2001	$ 1,738	$ 8,574	$ (8,770)	$ 1,542

The Board has designated $7 million of its investments as available for claims covered by self-insurance.

(6) BONDS PAYABLE

Bonds payable consists of general obligation water improvement and refunding bonds of the City. The Board is committed to repay the bonds and related interest from its revenues. Interest rates for the bonds outstanding at December 31, 2002, range from 2.0% to 6.0%. The average interest rate on all outstanding bonds was 4.93% and 5.00% for the years ended December 31, 2002 and 2001, respectively. A summary of debt maturity for the bonds as of December 31, 2002, is as follows (amounts expressed in thousands):

	Principal	Interest	Total
Year of Maturity:			
Current:	$ 11,960	$ 10,136	$ 22,096
Long-term:			
2004	14,275	9,571	23,846
2005	23,670	8,898	32,568
2006	20,705	7,716	28,421
2007	25,505	6,676	32,181
2008-2012	79,865	17,215	97,080
2013-2017	15,060	5,486	20,546
2018-2022	2,890	3,658	6,548
2023-2027	-	3,232	3,232
2028-2029	11,550	1,292	12,842
	193,520	63,744	257,264
Plus premium, net of discount	2,715	-	2,715
Less deferred amount on refunding	(986)	-	(986)
Total long-term	195,249	63,744	258,993
	$ 207,209	$ 73,880	$ 281,089

In 2002, the Board issued $11,610,000 of general obligation water refunding bonds at a true interest cost (TIC) of 3.99%. The proceeds of these bonds were used to pay $2.24 million of bonds which matured on September 1, 2002 and $9.37 million which matured on October 1, 2002.

In 2001, the Board issued $86,385,000 of general obligation water refunding bonds in two series, Series 2001A in the amount of $11,215,000 and Series 2001B in the amount of $75,170,000. Series 2001A with a TIC at sale of 4.38% was used to pay principal of bonds which matured on October 1, 2001. Series 2001B with a TIC of 3.84% was used to currently refund $49,045,000 of Series 1993A bonds with an average coupon rate of 5.19%, and to advance refund $14,725,000 of Series 1992 bonds with an average coupon rate of 5.89% and $14,220,000 of Series 1993B bonds with an average coupon rate of 5.08%.

The net proceeds of Series 2001B totaled $78,633,000 (after receipt of premium less issuance costs), of which $49,045,000 was used for the current refunding and $29,588,000 was used to purchase United States Government securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the Series 1992 and 1993B bonds. Of the Series 1992 and 1993B general obligation bonds, $1,335,000 and $1,380,000 respectively, remained outstanding at December 31, 2001. Only the Series 1993B bonds remain outstanding at December 31, 2002. The refunded portion of the Series 1992 and 1993B bonds were considered to be defeased and the liability for those bonds were removed from the Board's statement of net assets at December 31, 2001.

The current and advance refundings resulted in a difference between the reacquisition price and the net carrying amount of the old debt ("deferred amount on refunding") of $935,000. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being amortized as a component of interest expense through 2009. At December 31, 2002, the unamortized deferred amount on refunding for all bond refundings deducted from the bonds payable is $986,000.

The Board completed the current and advance refundings to reduce its total debt service payments and to obtain an economic gain (difference between the present values of the old and new debt service payments) as follows:

Series 1992: Reduction in total debt service requirements over the next seven years of $1,548,000 with an economic gain of $1,314,000.

Series 1993A: Reduction in total debt service requirements over the next seven years of $3,562,000 with an economic gain of $3,089,000.

Series 1993B: Reduction in total debt service requirements over the next eight years of $716,000 with an economic gain of $622,000.

In prior years, the Board defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Board's financial statements. At December 31, 2002, $14,220,000 of bonds outstanding are considered defeased.

(7) CERTIFICATES OF PARTICIPATION

Certificates of Participation (see Note 1) were executed and delivered pursuant to a Mortgage and Indenture of Trust Agreement between a bank, acting as trustee ("Trustee"), and DCLC, pursuant to which DCLC assigned all of its rights, title, and interest under the MLPA to the Trustee. The MLPA is subject to termination on an annual basis by the Board, upon which any outstanding Certificates will be payable solely from funds held by the Trustee and any amounts made available by the Trustee's sublease or sale of the leased assets under the MLPA.

Certificates were issued in 1987, 1991, 1998 and 2001 to finance the construction of pretreatment facilities for the Marston Treatment Plant, improvements to the Moffat Treatment Plant, construction of the 64th Avenue Pump Station, and to advance refund previously issued Certificates to take advantage of lower interest rates.

The 2001 Certificates in the amount of $40,580,000 were executed and delivered at a true interest cost of 4.3326%. The net proceeds of $39,412,000 (after receipt of premium less issuance costs and payment to the reserve fund) was used to reimburse the Board for $21,477,000 of construction costs for improvements to the Marston and Moffat Treatment Plants, and to refund $17,935,000 of the 1991 Certificates on their call date on November 15, 2001. As of December 31, 2002, only the 2001 and 1998 Certificates remain outstanding with principal balances of $38,310,000 and $25,280,000, respectively.

The advance refunding of the 1991 Certificates resulted in a difference between the reacquisition price and the net carrying amount of the old Certificates ("deferred amount on refunding"). This difference, reported in the accompanying financial statements as a deduction from the Certificates, is being amortized as a component of interest expense through November 2011, which is the shorter of the remaining life of the old Certificates and the life of the new Certificates. At December 31, 2002, the unamortized deferred amount on refunding deducted from the Certificates is $1,861,000. The Board completed the advance refunding to reduce its total debt service payments over the next 10 years by $3,239,000 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $2,715,000.

The MLPA, as amended and restated, requires a reserve fund be established from proceeds of the Certificates. The reserve fund is to be used in the event the Board fails to make payment of any base rental payments or other payments and fees defined in the MLPA. At December 31, 2002 and 2001, the reserve fund was $6,904,000 and $6,917,000, respectively, and is recorded as Restricted Investments. At the end of the lease term, the reserve fund and any related interest will be released to the Board.

A summary of scheduled payments for the Certificates as of December 31, 2002, is as follows (amounts expressed in thousands):

	Principal	Interest	Total
Year of Maturity:			
Current:	$ 4,430	$ 2,916	$ 7,346
Long-term:			
2004	4,605	2,729	7,334
2005	4,800	2,534	7,334
2006	5,005	2,327	7,332
2007	5,235	2,110	7,345
2008-2012	31,650	6,432	38,082
2013-2016	7,865	977	8,842
	59,160	17,109	76,269
Plus premium	1,221	-	1,221
Less deferred amount on refunding	(1,861)	-	(1,861)
Total long-term	58,520	17,109	75,629
	$ 62,950	$ 20,025	$ 82,975

The Certificates are also collateralized by certain assets purchased and/or constructed under the MLPA. Two locations are subject to the MLPA, the Marston Pretreatment Facility Site, consisting of three parcels of land, and the Moffat Treatment Plant Site, consisting of four parcels of land. Leased property at the two sites includes all property permanently affixed to the sites as well as those items of movable equipment, machinery and related personal property which are necessary to the performance of the functions performed at the facility at which they are located and which remain located there for 60 days or more. The Board may remodel, substitute, modify, add to or remove leased property at its expense, provided that the value of the leased property shall not be decreased as a result of such changes.

(8) CAPITAL LEASE

On July 21, 1992, the Board entered into an agreement amending the lease agreement of March 3, 1987 with the Colorado River Water Conservation District ("District") whereby the District was required to construct Ritschard Dam and Wolford Mountain Reservoir ("Wolford") on Muddy Creek, a tributary of the Colorado River north of Kremmling, Colorado. In consideration of quarterly and semiannual lease payments for 27 years beginning after issuance of a notice of award for construction and payments of 40% of the annual operating costs of Wolford beginning after the end of the lease term, the District will convey to the Board at the end of the lease term ownership, use and control of 40% of the storage capacity of Wolford and 40% of the water right. The present value of the minimum lease payments at the beginning of the lease term, including a $2.4 million nonrefundable deposit, was $43 million, and the Board recorded an asset and obligation under capital lease of that amount. The project was completed in the fall of 1995. The asset is recorded in Utility Plant under Capital Lease and amortization of the asset is included in Depreciation and Amortization.

Minimum capital lease payments were $3,000,000 during both 2002 and 2001. The following is a schedule by year of future minimum lease payments, together with the present value of the minimum lease payments as of December 31, 2002 (amounts expressed in thousands):

Year Ending December 31:	
2003	$ 3,000
2004	3,000
2005	3,000
2006	3,000
2007	3,000
2008-2012	15,000
2013-2017	15,000
2018-2020	7,500
Total minimum lease payments	52,500
Less interest at 6.75%	(21,964)
Present value of minimum lease payments (obligation under capital lease)	30,536
Less current portion	(955)
	$ 29,581

(9) CUSTOMER ADVANCES FOR CONSTRUCTION

South Adams County Water and Sanitation District ("SACWSD")

On December 16, 1997, the Board and SACWSD entered into a Memorandum of Understanding, and on November 30, 1998, entered into a final agreement, whereby the Board will supply 4,000 acre-feet of treated water annually to SACWSD beginning on or before January 15, 2004, for which SACWSD paid prepaid system development charges of $22,920,000 in December 1997. The agreement was contingent upon SACWSD's acquiring, developing, and conveying to the Board storage facilities for 8,000 acre-feet of water along the South Platte River downstream of Denver, and improvements to the Board's 56th Avenue facilities. The Board initially recorded all payments in Customer Advances for Construction. As of December 31, 2002, conveyances of $9.5 million were transferred from Customer Advances for Construction to Contributions in Aid of Construction for the storage facilities and improvements. When storage facilities for 8,000 acre-feet of water is completed and the Board begins supplying water under the agreement, the initial payment of $22,920,000 will be transferred to System Development Charges.

Xcel Energy ("Xcel")

In January 1998, the Board and Xcel entered into an agreement whereby the Board will supply up to 5,200 acre-feet of nonpotable reuse water annually from the Board's nonpotable recyle plant, which is under construction, to Xcel's Cherokee generating plant beginning in the spring of 2004, for which Xcel paid prepaid system development charges of $12,519,000 in January 1998. The Board will ensure interim water supply to the Cherokee plant through the Farmers and Gardeners Ditch. The Board recorded the payment in Customer Advances for Construction. When the Board begins supplying water from the reuse plant, the payment will be transferred from Customer Advances for Construction to System Development Charges.

(10) WASTE DISPOSAL CLOSURE AND POSTCLOSURE CARE

The Board operates a landfill at the Foothills Water Treatment Plant for disposal of aluminum sulfate solids/residuals generated as a by-product of the potable water treatment process at the Foothills and

Marston Water Treatment Plants. It also operates sludge drying ponds at Ralston Reservoir for treatment of water treatment residuals generated as a by-product of the potable water treatment process at the Moffat Water Treatment Plant. Both sites have been in operation since 1995. State and federal laws and regulations require the Board to perform certain closing functions on these disposal sites when they stop accepting waste, including placing a final cover on the Foothills landfill, and to perform certain maintenance and monitoring functions at the sites for thirty years after closure.

Although these sites are not municipal solid waste landfills, and are outside the scope of GASB Statement No. 18, "*Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*," ("GASB No. 18"), the Board voluntarily implemented the provisions of that statement in 2000 to meet state and federal financial assurance requirements discussed below. Prior years were not restated due to the immateriality of the amounts involved.

As required by GASB No. 18, although closure and postclosure care costs will be paid only near or after the date that the disposal sites stop accepting waste, the Board reports a portion of the Foothills closure and postclosure care costs as an operating expense and liability in each year based on landfill capacity used as of each statement of net assets date. The Board reports the entire liability for closure and postclosure care costs for the Ralston sludge drying ponds since they are not "filled" like a landfill, but are reusable.

Approximately $2.0 million is reported as Waste Disposal Closure and Postclosure Care liability at December 31, 2002 for the two sites as follows (amounts expressed in thousands):

	Foothills	Ralston	Total
Closure Costs	$ 184	$ 1,043	$ 1,227
Postclosure Care Costs	214	575	789
	$ 398	$ 1,618	$ 2,016

These costs are based on the use of 27% of the active portion of the Foothills landfill and 100% of the Ralston drying beds. The Board will recognize the remaining estimated cost of the Foothills postclosure care of $592,000 as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2002. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The remaining life of the Foothills landfill is estimated to be 10 to 15 years for the active disposal area of 38.5 acres. In addition, there is expansion capability of 110 acres with an indefinite life. The Ralston drying beds have an indefinite life.

The Board is required by state and federal laws and regulations to establish financial assurance sufficient to ensure full payment of closure and postclosure care of its disposal sites by selecting one of a variety of financial mechanisms. The Board chose the "Local Government Financial Test" which includes profitability requirements, minimum general obligation bond ratings, unqualified audit opinions, and the implementation of GASB No. 18.

(11) CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2002 was as follows:

	Beginning Balance (Current and Long-Term)	Additions	Reductions	Ending Balance (Current and Long-Term)	Due Within One Year
Bonds payable, net	$ 210,326	$11,517	$(14,634)	$207,209	$ 11,960
Certificates of participation, net	67,124	121	(4,295)	62,950	4,430
Obligation under capital lease	31,429		(893)	30,536	955
Customer advances for construction	39,777	7,290	(2,965)	44,102	
Accrued sick leave	6,835	581	(475)	6,941	1,708
Waste disposal closure	2,124	18	(126)	2,016	
	357,615	$19,527	$(23,388)	353,754	$ 19,053
Less current portion	(18,445)			(19,053)	
Total long-term liabilities	$ 339,170			$334,701	

(12) PENSION PLAN

Plan Description

The Board sponsors and administers a trusteed, single-employer defined benefit pension plan, (the "Plan"). The Plan provides retirement benefits with limited annual cost-of-living adjustments to retired members and, if elected by the member, to his or her surviving spouse. Members of the Plan include substantially all regular and discretionary full-time and part-time employees of the Board. It also provides retirement benefits in the event of total and permanent disability, and a $5,000 death benefit. Article X, Section 10.1.6 of the Charter of the City assigns the authority to establish and amend benefit provisions to the Board; however, any amendment that substantially impairs the property rights of employees will not become effective until approved by two-thirds of the employees. The Plan issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to: Manager of Treasury Operations, MC 210, Denver Water, 1600 West 12th Avenue, Denver, CO 80204-3412.

Funding Policy

The Contribution requirements of plan members and the Board are established and may be amended by the Board, which acts as trustee of the Plan. The Plan's funding policy provides for periodic Board contributions at actuarially determined amounts sufficient to accumulate the necessary assets to pay benefits when due. These required contributions may vary and are not expressed in terms of fixed dollar amounts or as percentages of annual covered payroll. Plan members are not required to make contributions, but may elect to make voluntary after-tax contributions to the Plan for the purpose of purchasing an additional monthly benefit. The additional benefit is in the form of an immediate monthly annuity with no cost-of-living adjustment. The Board intends to continue making annual contributions to the Plan based on current annual actuarial valuations, but reserves the right to suspend, reduce or permanently discontinue all contributions at any time, pursuant to the termination provisions of the Plan.

Annual Pension Cost

The Board's annual pension cost for 2002 was $6,063,000, equal to the Board's required and actual contributions. The required contribution was determined as part of the January 1, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 4.5% to 11.5% per year, and (c) 4% per year cost-of-living adjustments. Salary increases include an inflation component of 4.0%. The actuarial value of Plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. The Plan's unfunded actuarial accrued liability is being amortized in level dollar amounts on a closed basis. The remaining amortization period at January 1, 2002 was 33 years.

Trend Information

Three-year trend information for the Board's pension cost and contributions is as follows (amounts expressed in thousands):

Year	Cost (APC)	Contributed	Obligation
2000	$3,464	100%	-
2001	$3,529	100%	-
2002	$6,063	100%	-

A Schedule of Funding Progress for the Plan is as follows (amounts expressed in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) --Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
1/1/00	$184,124	$178,160	($5,964)	103.3%	$45,204	(13.2)%
1/1/01	$195,559	$188,903	($6,656)	103.5%	$46,564	(14.3)%
1/1/02	$193,040	$209,443	$16,403	92.2%	$50,695	32.4%

(13) DEFERRED COMPENSATION PLANS

The Board has a deferred compensation plan for its employees, created in accordance with Internal Revenue Code Section 457. The plan, available to all regular and discretionary employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or qualifying unforeseeable emergency. Participation in the plan is voluntary, and the Board does not make any contributions. The Board has no liability for losses under the plan but does have the usual fiduciary responsibilities of a plan sponsor.

The Board also sponsors the Denver Water Supplemental Retirement Savings Plan ("SRSP"). The SRSP is a 401(k) defined contribution plan. Article X, Section 10.1.6 of the Charter of the City assigns the authority to establish and amend benefit provisions to the Board. All regular and discretionary employees are eligible to participate in the plan. Under the terms of the plan, the Board will make a matching contribution to the SRSP's trust fund each year in an amount equal to 100% of each participant's elective contributions, limited to 3% of the participant's base salary for the year. During 2002 and 2001, the Board made contributions totaling $1,317,000 and $1,257,000, and members contributed $2,927,000 and $2,624,000 respectively, to the SRSP.

(14) POSTRETIREMENT BENEFITS

As part of the retirement program revisions instituted in 1995, the Board, under authority of the City Charter, established a postretirement health care benefit in the form of a $125 fixed monthly subsidy for medical, dental, or vision insurance coverage obtained through the Board's health plan to all employees taking early retirement. The subsidy begins with the first pension payment and continues until the retiree reaches age 65, or until pension payments cease, whichever is earlier. The subsidy is not written in the retirement plan or paid out of retirement plan funds and can only be used each month to offset part or all of that month's cost of insurance coverage. Currently, 92 retirees are eligible to receive this benefit. Expenses of this program are recognized as incurred, which amounted to $127,000 and $124,000 during 2002 and 2001, respectively.

(15) CAPITAL CONTRIBUTIONS AND GRANTS

Inception to date and current year proceeds from contributions in aid of construction and system development charges were as follows (amounts expressed in thousands):

	CAC	SDC
Inception through December 31, 2000	$ 224,876	$ 355,750
2001 Additions	18,172	22,420
Inception through December 31, 2001	243,048	378,170
2002 Additions	9,690	35,675
Inception through December 31, 2002	$ 252,738	$ 413,845

As a result of the Hayman fire, the Board entered into an agreement with the U.S. Department of Agriculture Natural Resources Conservation Service on September 16, 2002 under their Emergency Watershed Protection Program whereby they will reimburse the Board for 75% of its total costs up to $3,224,000, or $2,418,000, for restoration of the land damaged by the fire around Cheesman reservoir. The length of the agreement is for 220 days. As of December 31, 2002, $1,636,000 of this amount was earned and recorded in nonoperating revenues (expenses) – other income.

The Board also entered into an agreement with the U.S. Environmental Protection Agency on November 29, 2002 under Section 319 of the Clean Water Act whereby they will reimburse the Board for 60% of its total costs up to $833,333, or $500,000, to revegetate the burn area surrounding Cheesman Reservoir through a seeding and mulching effort. The agreement is effective through December 31, 2003. As of December 31, 2002, $65,000 of this amount was earned and recorded in nonoperating revenues (expenses) – other income.

(16) LITIGATION

In August 1995, the Board received the results of an environmental self-audit, which revealed that a pipe to which several shop drains were connected was a storm drain rather than a sanitary sewer drain. This situation probably resulted in discharges of pollutants to the South Platte River. Despite the conclusion of the Colorado Department of Public Health and Environment that the Board should not be penalized, the U.S. Environmental Protection Agency ("EPA") and the U.S. Department of Justice ("DOJ") decided in 1999 to file an enforcement action under the Clean Water Act and the Resource Conservation and

Recovery Act ("RCRA"). The Board negotiated a settlement with the DOJ and EPA whereby the Board paid a penalty of $48,000 and agreed to perform the following "supplemental environmental projects" that benefit the environment: 1) execution of a contract for $58,000 to purchase trees and shrubs for the Overland section of the South Platte restoration project, and 2) construction of a building containing a paint shop, a vehicle wash and a waste management facility ("Building Number 3"), which will result in a significant reduction in the amount of hazardous waste and wastewater. Construction of Building Number 3 was completed before the deadline of October 11, 2001. On December 4, 2002, the Board filed a completion report with EPA that demonstrated that the expected environmental benefits are being accomplished. On January 8, 2003, the Department of Justice accepted the completion report and granted permission for the Board to file a motion with the court to terminate the consent decree. Therefore, the Board has no remaining responsibility or liability under the consent decree and this matter has been completed.

During 2001, the Board received $5,075,000 from a lawsuit settlement related to manufacturer defects of certain water mains, which resulted in water main breaks in 1997 and 1998. The Board recorded the receipt of these funds in Nonoperating Revenues (Expenses)—Other Income, Net.

(17) CONSTRUCTION COMMITMENTS – RECYLING PLANT

The recycled water project is a water supply project that will result in the treatment and delivery of about 17,000 acre-feet of water suitable for industrial and outside irrigation uses. The first phase of the project includes a 30 million gallon per day ("mgd") treatment plant located at 56th Avenue and York Street and distribution facilities to serve Xcel Energy; and parks and schools located primarily in the north and central sections of Denver. Subsequent phases will include expansion of the treatment plant to 45 mgd and extension of the distribution facilities to Stapleton, Lowry, Rocky Mountain Arsenal, and other industrial and outside irrigation users in close proximity to the major pipelines. The projected cost for the initial phase is $89 million, of which approximately $55 million has been paid and recorded in Construction in Progress as of December 31, 2002. The initial phase is approximately 49% complete and is scheduled for completion in the spring of 2004. The total project is currently estimated to cost $165 million and the total project is scheduled for completion 2012.

In addition to the commitments related to the recycling plant, the Board has additional construction commitments of approximately $39 million as of December 31, 2002.

SUPPLEMENTAL FINANCIAL INFORMATION

EXHIBIT I

BOARD OF WATER COMMISSIONERS
CITY AND COUNTY OF DENVER, COLORADO

CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2002
(amounts expressed in thousands)

	Depreciation Life (Years)	Cost				Accumulated Depreciation and Amortization				Cost Less Accumulated Depreciation and Amortization as of December 31, 2002
		Balance, December 31, 2001	Additions and Transfers	Sales and Retirements	Balance, December 31, 2002	Balance, December 31, 2001	Provision	Sales, Retirements and Transfers	Balance, December 31, 2002	
UTILITY PLANT IN SERVICE:										
Source of supply plant	10 - 80	$ 391,499	$ 9,342	$ (593)	$ 400,248	$ 103,834	$ 4,604	$ 269	$ 108,707	$ 291,541
Pumping plant	20 - 80	45,038	1,155	(129)	46,064	13,265	909	(693)	13,481	32,583
Water treatment plant	20 - 80	232,532	1,704	(1,115)	233,121	56,861	4,743	(1,354)	60,250	172,871
Transmission and distribution plant	30 - 80	585,059	21,163	(641)	605,581	132,212	7,994	(211)	139,995	465,586
General plant and equipment	5 - 50	88,926	4,579	(2,391)	91,114	43,270	6,051	(1,599)	47,722	43,392
Leasehold and other improvements	5 - 30	59,587	12,124	(2)	71,709	12,669	2,721	(2)	15,388	56,321
Land held for future use		14,073	-	(10)	14,063	-	-	-	-	14,063
Total utility plant in service		1,416,714	50,067	(4,881)	1,461,900	362,111	27,022	(3,590)	385,543	1,076,357
NONUTILITY PLANT IN SERVICE:										
Plant	10 - 80	7,636	63	(150)	7,549	2,721	107	(90)	2,738	4,811
General equipment	10 - 20	61	-	-	61	33	4	-	37	24
Total nonutility plant in service		7,697	63	(150)	7,610	2,754	111	(90)	2,775	4,835
UTILITY PLANT UNDER CAPITAL LEASE	80	42,981	-	-	42,981	3,426	559	-	3,985	38,996
CONSTRUCTION IN PROGRESS		121,104	78,349	-	199,453	-	-	-	-	199,453
Total property, plant and equipment		$ 1,588,496	$ 128,479	$ (5,031)	$ 1,711,944	$ 368,291	$ 27,692	$ (3,680)	$ 392,303	$ 1,319,641

EXHIBIT II-A

BOARD OF WATER COMMISSIONERS
CITY AND COUNTY OF DENVER, COLORADO

GENERAL OBLIGATION WATER IMPROVEMENT AND REFUNDING BONDS
OUTSTANDING AT DECEMBER 31, 2002
(amounts expressed in thousands)

Date of Issue	Interest Rates on Bonds Outstanding as of December 31, 2002	Amount Issued	Amount Retired	Amount Outstanding	Bonds Which Are Callable: Callable Amount	Bonds Which Are Callable: Bond Nos.	Bonds Which Are Callable: Initial Date Callable
Sep 1, 1993*	4.80-5.10%	$ 15,600	$ (14,220)	$ 1,380	$ 1,380	Regstrd.	Sep 1, 2003
Jun 15, 1994*	4.80-5.50%	131,835	(89,550)	42,285	35,895	Regstrd.	Oct 1, 2003
Sep 15, 1995*	4.75-5.00%	12,825	(3,265)	9,560	6,000	Regstrd.	Oct 1, 2005
Sep 15, 1996*	4.60-5.375%	16,975	(5,010)	11,965	7,330	Regstrd.	Oct 1, 2006
Aug 1, 1997*	4.40-5.50%	19,530	(1,000)	18,530	11,900	Regstrd.	Oct 1, 2007
Sep 15, 1999*	5.50-6.00%	14,530	-	14,530	11,550	Regstrd.	Oct 1, 2013
Sep 15, 2000*	4.80-5.50%	12,700	-	12,700	10,410	Regstrd.	Oct 1, 2011
Aug 15, 2001A*	4.00-4.70%	11,215	(800)	10,415	4,560	Regstrd.	Sep 1, 2011
Aug 15, 2001B*	4.00-5.00%	75,170	(1,690)	73,480	-	Regstrd.	Not callable
Oct 1, 2002*	2.00-4.50%	11,610	(975)	10,635	6,945	Regstrd.	Oct. 1, 2012
		$ 321,990	$(116,510)	205,480	$ 95,970		
Plus premium, net of discount				2,715			
Less deferred amount on refunding				(986)			
				$ 207,209			

* Refunding Serial Issue.

BOARD OF WATER COMMISSIONERS
CITY AND COUNTY OF DENVER, COLORADO

SUMMARY OF DEBT SERVICE REQUIREMENTS OUTSTANDING
AT DECEMBER 31, 2002
YEARS 2003 TO 2029 INCLUSIVE
(amounts expressed in thousands)

Year	Bond Retirements (Exhibit II-C)	Bond Interest (Exhibit II-D)	Total Debt Service
2003	$ 11,960	$ 10,136	$ 22,096
2004	14,275	9,571	23,846
2005	23,670	8,898	32,568
2006	20,705	7,716	28,421
2007	25,505	6,676	32,181
2008	23,105	5,403	28,508
2009	17,025	4,262	21,287
2010	24,360	3,521	27,881
2011	8,695	2,237	10,932
2012	6,680	1,792	8,472
2013	4,295	1,473	5,768
2014	4,155	1,272	5,427
2015	4,400	1,075	5,475
2016	1,540	867	2,407
2017	670	799	1,469
2018	525	772	1,297
2019	515	751	1,266
2020	190	729	919
2021	810	721	1,531
2022	850	685	1,535
2023	-	647	647
2024	-	647	647
2025	-	646	646
2026	-	646	646
2027	-	646	646
2028	-	646	646
2029	11,550	646	12,196
	205,480	73,880	279,360
Plus premium, net of discount	2,715	-	2,715
less deferred amount on refunding	(986)	-	(986)
	$ 207,209	$ 73,880	$ 281,089

EXHIBIT II-C

BOARD OF WATER COMMISSIONERS
CITY AND COUNTY OF DENVER, COLORADO

SCHEDULE OF BOND RETIREMENTS FOR BONDS OUTSTANDING AT DECEMBER 31, 2002
YEARS 2003 TO 2029 INCLUSIVE
(amounts expressed in thousands)

Year	Series 1993B Refunding	Series 1994 Refunding	Series 1995 Refunding	Series 1996 Refunding	Series 1997 Refunding	Series 1999 Refunding	Series 2000 Refunding	Series 2001A Refunding	Series 2001B Refunding	Series 2002 Refunding	Total
2003	-	$ 6,490	$ 1,175	$ 1,075	$ 1,100	-	-	$ 550	$ 1,155	$ 415	$ 11,960
2004	-	6,810	1,185	1,130	1,250	-	-	615	2,865	420	14,275
2005	-	7,180	1,200	1,185	1,330	-	-	640	11,705	430	23,670
2006	25	7,335	-	1,245	1,400	-	-	645	9,615	440	20,705
2007	195	1,210	-	1,285	1,550	-	-	670	20,145	450	25,505
2008	160	1,010	-	1,415	1,700	-	-	700	17,655	465	23,105
2009	1,000	1,010	-	1,460	2,000	-	-	730	10,340	485	17,025
2010	-	11,240	6,000	1,540	2,500	1,820	-	760	-	500	24,360
2011	-	-	-	1,630	2,800	660	2,290	795	-	520	8,695
2012	-	-	-	-	2,900	-	2,410	830	-	540	6,680
2013	-	-	-	-	-	500	2,530	700	-	565	4,295
2014	-	-	-	-	-	-	2,665	900	-	590	4,155
2015	-	-	-	-	-	-	2,805	980	-	615	4,400
2016	-	-	-	-	-	-	-	900	-	640	1,540
2017	-	-	-	-	-	-	-	-	-	670	670
2018	-	-	-	-	-	-	-	-	-	525	525
2019	-	-	-	-	-	-	-	-	-	515	515
2020	-	-	-	-	-	-	-	-	-	190	190
2021	-	-	-	-	-	-	-	-	-	810	810
2022	-	-	-	-	-	-	-	-	-	850	850
2023	-	-	-	-	-	-	-	-	-	-	-
2024	-	-	-	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	11,550	-	-	-	-	11,550
	$ 1,380	$ 42,285	$ 9,560	$ 11,965	$ 18,530	$ 14,530	$ 12,700	$ 10,415	$ 73,480	$ 10,635	$205,480

BOARD OF WATER COMMISSIONERS
CITY AND COUNTY OF DENVER, COLORADO

SCHEDULE OF BOND INTEREST FOR BONDS OUTSTANDING AT DECEMBER 31, 2002
YEARS 2003 TO 2029 INCLUSIVE
(amounts expressed in thousands)

Year	Series 1993B Refunding	Series 1994 Refunding	Series 1995 Refunding	Series 1996 Refunding	Series 1997 Refunding	Series 1999 Refunding	Series 2000 Refunding	Series 2001A Refunding	Series 2001B Refunding	Series 2002 Refunding	Total
2003	$ 70	$ 2,254	$ 477	$ 616	$ 915	$ 820	$ 638	$ 441	$ 3,530	$ 375	$10,136
2004	70	1,923	419	564	867	820	638	419	3,484	367	9,571
2005	70	1,568	360	508	810	820	638	395	3,370	359	8,898
2006	70	1,188	300	449	748	820	638	370	2,784	349	7,716
2007	69	793	300	387	683	820	639	343	2,304	338	6,676
2008	59	728	300	321	598	820	638	316	1,297	326	5,403
2009	52	674	300	248	516	820	639	288	413	312	4,262
2010	-	618	300	170	419	820	639	259	-	296	3,521
2011	-	-	-	88	292	711	638	228	-	280	2,237
2012	-	-	-	-	149	674	513	194	-	262	1,792
2013	-	-	-	-	-	674	397	159	-	243	1,473
2014	-	-	-	-	-	647	274	128	-	223	1,272
2015	-	-	-	-	-	647	140	87	-	201	1,075
2016	-	-	-	-	-	647	-	42	-	178	867
2017	-	-	-	-	-	647	-	-	-	152	799
2018	-	-	-	-	-	647	-	-	-	125	772
2019	-	-	-	-	-	647	-	-	-	104	751
2020	-	-	-	-	-	647	-	-	-	82	729
2021	-	-	-	-	-	647	-	-	-	74	721
2022	-	-	-	-	-	647	-	-	-	38	685
2023	-	-	-	-	-	647	-	-	-	-	647
2024	-	-	-	-	-	647	-	-	-	-	647
2025	-	-	-	-	-	646	-	-	-	-	646
2026	-	-	-	-	-	646	-	-	-	-	646
2027	-	-	-	-	-	646	-	-	-	-	646
2028	-	-	-	-	-	646	-	-	-	-	646
2029	-	-	-	-	-	646	-	-	-	-	646
	$ 460	$ 9,746	$ 2,756	$ 3,351	$ 5,997	$ 18,966	$ 7,069	$ 3,669	$ 17,182	$ 4,684	$73,880

STATISTICAL SECTION

STATISTICAL SUMMARY: 1993 - 2002

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Population Served[1]	**1,081,000**	1,073,000	1,064,000	1,046,000	1,029,000	1,012,000	995,000	977,000	960,000	943,000
Total Treated Water Consumption in Million Gallons	**75,221.18**	81,054.72	83,585.25	75,232.01	77,475.48	75,363.33	76,203.96	65,267.91	76,516.08	72,562.61
Average Daily Consumption in Million Gallons	**206.09**	222.07	228.38	206.12	212.26	206.47	208.21	178.82	209.63	198.80
Average Daily Consumption per Capita in Gallons	**191**	207	215	197	206	204	210	183	218	211
Maximum Daily Consumption in Million Gallons	**419.20**	488.71	478.19	475.66	512.53	517.57	456.99	453.55	479.01	438.20
Maximum Hour Treated Water Use Rate (MGD)[2]	**788.09**	716.86	751.47	676.26	763.87	712.48	736.53	565.13	717.57	661.80
Treated Water Pumped in Million Gallons	**51,205.33**	54,161.28	47,953.92	38,149.92	33,990.21	34,179.67	39,578.30	32,115.03	40,720.24	35,826.13
Raw Water Storage Capacity in Acre-Feet	**561,883**	561,883	545,476	545,476	545,476	545,476	545,476	545,476	545,476	545,476
Replacement Reservoir Storage Capacity in Acre-Feet	**122,432**	122,432	96,822	96,822	96,822	96,822	96,822	96,822	96,822	96,822
Supply from South Platte River in Acre-Feet[3]	**58,856**	129,926	133,912	210,777	190,948	194,478	131,242	178,286	134,116	117,914
Supply from Blue River/Roberts Tunnel System in Acre-Feet	**56,848**	102,282	102,750	54,064	48,384	92,174	89,268	98,176	90,479	135,770
Supply from Moffat System in Acre-Feet	**33,116**	71,296	59,811	57,272	54,220	77,630	60,520	69,271	45,782	38,468
Treated Water Pumping Capacity in MGD[2]	**1,070.6**	1,052.5	1,052.5	1,052.5	1,027.5	1,027.5	1,027.5	1,116.8	1,116.8	1,091.8
Raw Water Pumping Capacity in MGD[2]	**92.2**	92.2	92.2	92.2	92.2	92.2	92.2	92.2	92.2	92.2
Treatment Plant Capacity in MGD[2]	**645.0**	645.0	645.0	645.0	645.0	645.0	645.0	645.0	645.0	645.0
Treated Water Reservoir Capacity in Million Gallons	**406.45**	378.45	378.75	378.75	371.75	400.5	408.2	408.2	408.2	393.2
Supply Mains in Miles (Mountain Collection System)	**77.6**	77.6	77.6	77.6	77.6	77.6	77.6	77.6	77.6	77.6
Supply Mains in Miles (Metropolitan Denver Area)	**40.7**	40.7	40.7	40.7	39.2	39.2	39.2	39.3	39.3	39.3
T&D Mains in Miles (Inside Denver and Total Service Contract Distributors)	**2,552.0**	2,508.0	2,474.0	2,449.0	2,416.0	2,486.1	2,464.0	2,442.6	2,377.6	2,362.8
Nonpotable T&D Mains in Miles	**17.6**	17.3	17.3	16.4	15.6	15.6	14.7	14.6	-	-
Total Active Taps-End of Year[1]	**295,841**	286,051	282,985	278,374	274,938	271,338	268,676	271,999	268,506	265,233
Fire Hydrants Operated & Maintained	**14,380**	14,173	13,991	13,681	13,136	13,575	13,298	13,005	12,524	12,364
Breaks in Mains - Denver	**287**	261	243	195	166	251	200	147	222	239
Service Leaks	**1,034**	794	907	663	779	591	648	548	631	635
Fire Hydrants Tested and Repaired	**26,047**	29,604	23,875	25,052	27,150	26,188	14,894	18,086	16,195	14,823
Employees (Authorized Staffing)	**1,062.4**	1,060.1	1,046.1	1,044	1,036	1,032	1,030	1,031	1,063	1,068
Financial Information[4]										
Gross Property, Plant & Equipment	**$ 1,711,944**	$1,588,496	$1,492,281	$1,408,333	$ 1,347,620	$ 1,282,062	$1,236,743	$1,209,646	$1,173,637	$1,145,118
Net Property, Plant & Equipment (after depreciation)	**$ 1,319,641**	$1,220,205	$1,144,868	$1,082,973	$ 1,042,918	$ 993,753	$ 968,496	$ 959,945	$ 941,516	$ 926,511
Additions to Property, Plant & Equipment	**$ 128,479**	$ 104,721	$ 87,493	$ 65,806	$ 73,095	$ 47,664	$ 33,178	$ 38,491	$ 35,355	$ 48,543
Operating Revenues[5]	**$ 148,262**	$ 151,198	$ 153,429	$ 127,655	$ 128,570	$ 121,074	$ 118,580	$ 94,952	$ 100,992	$ 85,143
Operating Expenses[5]	**$ 120,670**	$ 110,618	$ 106,066	$ 100,719	$ 97,489	$ 93,202	$ 92,072	$ 86,742	$ 79,888	$ 78,651
Operating Income	**$ 27,592**	$ 40,580	$ 47,363	$ 26,936	$ 31,081	$ 27,872	$ 26,508	$ 8,210	$ 21,104	$ 6,492
Income before Capital Contributions (formerly Net Income)	**$ 23,774**	$ 38,257	$ 27,436	$ 21,117	$ 21,611	$ 19,198	$ 8,193	$ (6,883)	$ 3,461	$ (11,115
Increase in Net Assets	**$ 69,139**	$ 78,849	$ 71,204	$ 58,175	$ 52,237	$ 60,698	$ 30,055	$ 18,856	$ 35,735	$ 6,562
Total Long-Term Debt[6]	**$ 300,695**	$ 308,879	$ 289,681	$ 294,757	$ 299,773	$ 329,466	$ 334,618	$ 340,598	$ 346,806	$ 349,585

[1]Population estimates based on treated water customers only. Beginning in 1996, population served and active taps exclude the City of Broomfield.

[2]MGD = Million Gallons per Day.

[3]Supply includes effluent exchanges.

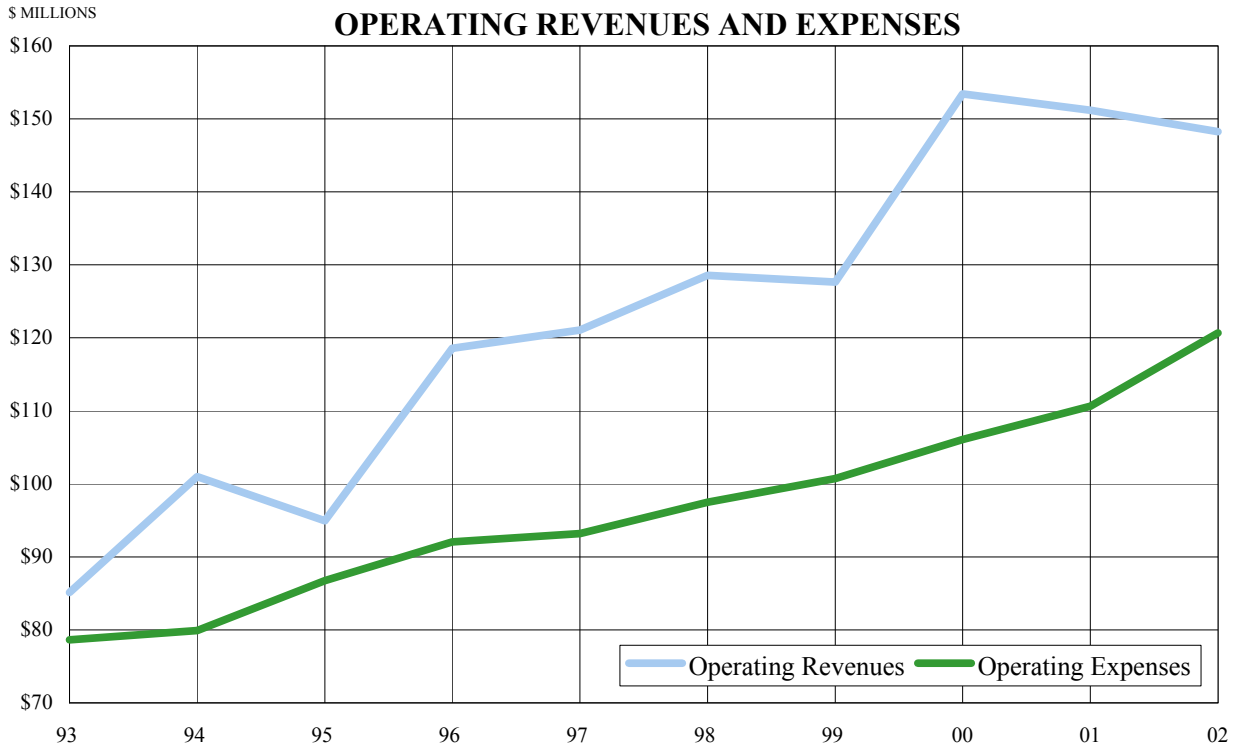
[4]Amounts expressed in thousands.

[5]See "Statements of Revenues, Expenses and Changes in Net Assets", page C-2.

[6]Current and long-term portions of bonds payable, certificates of participation, and obligations under capital lease, net of discounts, premiums and deferred losses on advance refundings.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS: 1993 - 2002
(amounts expressed in thousands)

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
OPERATING REVENUES:										
Water	**$ 142,887**	$ 145,565	$ 148,919	$ 123,608	$ 124,810	$ 116,884	$ 114,635	$ 91,051	$ 97,920	$ 82,300
Power generation and other	**5,375**	5,633	4,510	4,047	3,760	4,190	3,945	3,901	3,072	2,843
Total operating revenues	**148,262**	151,198	153,429	127,655	128,570	121,074	118,580	94,952	100,992	85,143
OPERATING EXPENSES:										
Water service-										
Source of supply, pumping treatment and distribution	**48,089**	43,756	42,857	41,060	39,233	40,266	38,046	35,173	30,795	29,716
General and administrative	**37,691**	35,500	32,499	30,215	30,243	25,236	26,836	26,958	25,522	24,810
Depreciation and amortization	**25,431**	24,247	23,912	22,627	21,211	21,047	21,047	18,890	17,447	16,704
Customer service	**9,459**	7,115	6,798	6,817	6,802	6,653	6,143	5,721	6,124	5,867
Total water service	**120,670**	110,618	106,066	100,719	97,489	93,202	92,072	86,742	79,888	77,097
Reuse demonstration plant-										
Operations and maintenance	**-**	-	-	-	-	-	-	-	-	60
Depreciation and amortization	**-**	-	-	-	-	-	-	-	-	1,494
Total reuse demonstration plant	**-**	-	-	-	-	-	-	-	-	1,554
Total operating expenses	**120,670**	110,618	106,066	100,719	97,489	93,202	92,072	86,742	79,888	78,651
OPERATING INCOME	**27,592**	40,580	47,363	26,936	31,081	27,872	26,508	8,210	21,104	6,492
NONOPERATING REVENUES (EXPENSES):										
Investment income	**8,184**	8,665	9,838	7,417	7,859	5,958	4,417	4,498	2,972	2,517
Interest expense, less capitalized interest	**(12,315)**	(13,811)	(16,249)	(16,800)	(18,241)	(19,350)	(19,979)	(20,383)	(19,633)	(21,918)
Gain (loss) on disposition of property, plant and equipment	**(1,314)**	(2,410)	(14,511)	3,479	13	4,158	(2,968)	(44)	(668)	1,283
Other income (expense), net	**1,627**	5,233	995	85	899	560	215	836	(314)	511
Net nonoperating expenses	**(3,818)**	(2,323)	(19,927)	(5,819)	(9,470)	(8,674)	(18,315)	(15,093)	(17,643)	(17,607)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	**23,774**	38,257	27,436	21,117	21,611	19,198	8,193	(6,883)	3,461	(11,115)
CAPITAL CONTRIBUTIONS:										
Contributions in aid of construction	**9,690**	18,172	18,511	12,837	10,985	15,015	6,740	9,601	18,660	5,483
System development charges	**35,675**	22,420	25,257	24,221	19,641	26,485	15,122	16,138	13,614	12,194
Total capital contributions	**45,365**	40,592	43,768	37,058	30,626	41,500	21,862	25,739	32,274	17,677
INCREASE IN NET ASSETS	**$ 69,139**	$ 78,849	$ 71,204	$ 58,175	$ 52,237	$ 60,698	$ 30,055	$ 18,856	$ 35,735	$ 6,562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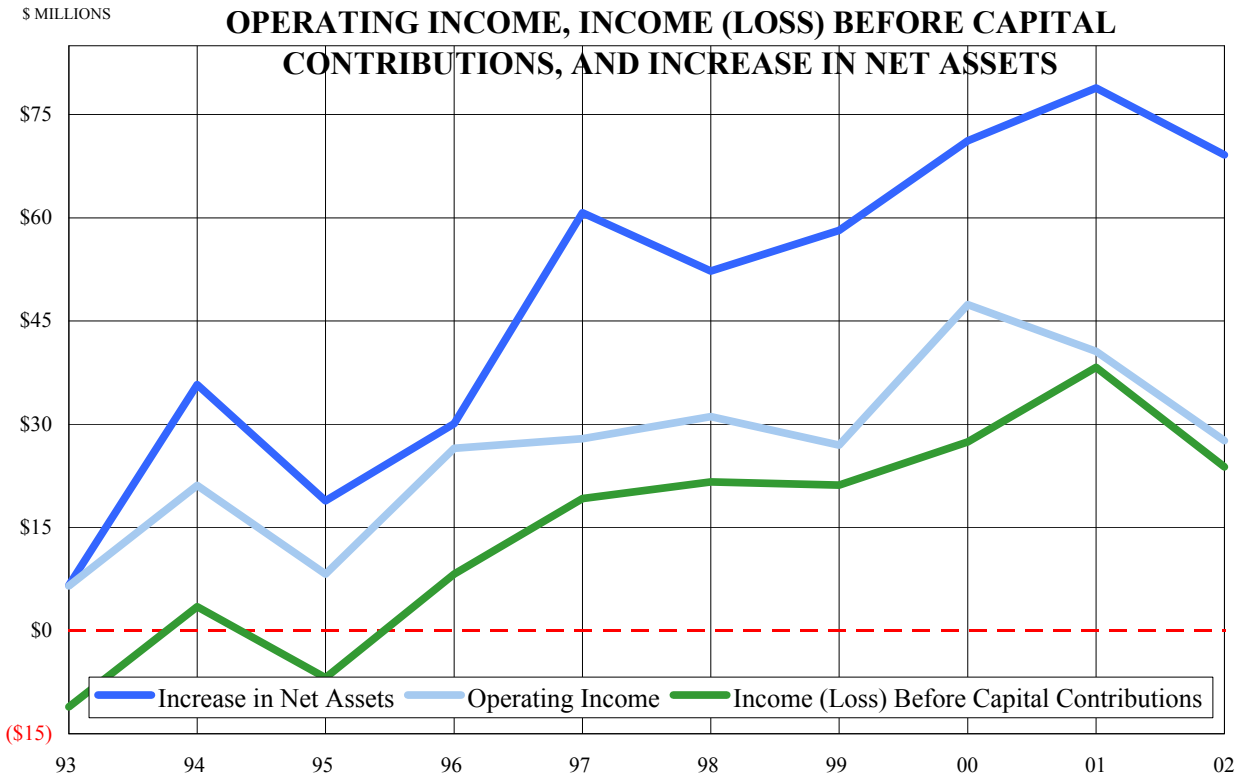
$150
$140
$130
$120
$110
$100
$90
$80
$70
93
94
95
96
97
98
99
00
01
02
Operating Revenues
Operating Expenses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OPERATING INCOME, INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS, AND INCREASE IN NET ASSETS
$75
$60
$45
$30
$15
$0
($15)
93
94
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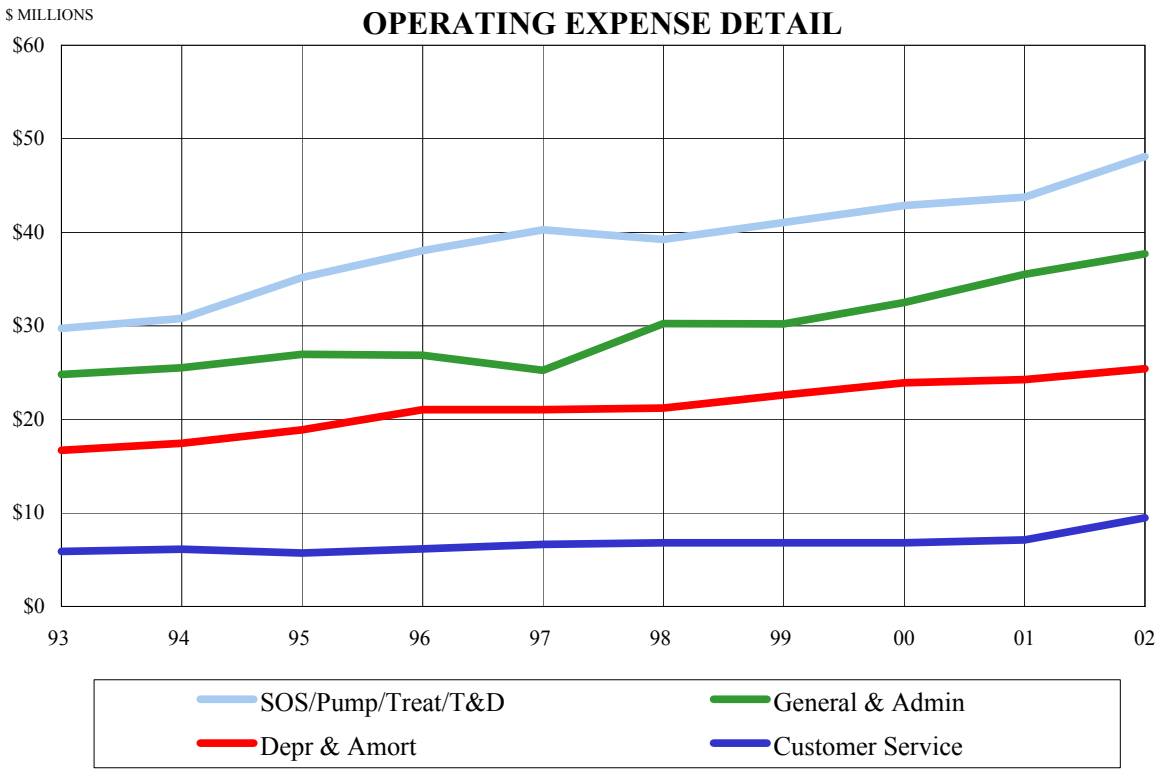
02
Increase in Net Assets
Operating Income
Income (Loss) Before Capital Contributions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OPERATING EXPENSE DETAIL
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$50
$40
$30
$20
$10
$0
93
94
95
96
97
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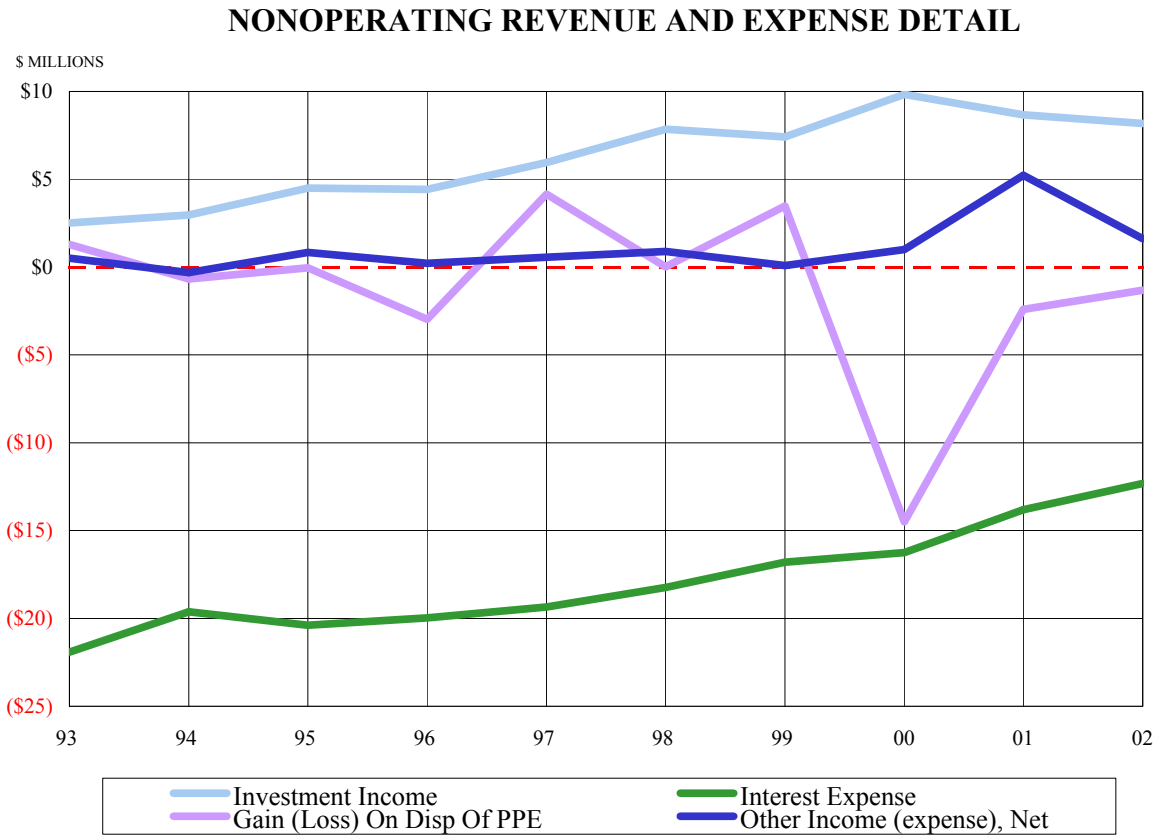
99
00
01
02
SOS/Pump/Treat/T&D
General & Admin
Depr & Amort
Customer Service


NONOPERATING REVENUE AND EXPENSE DETAIL
$ MILLIONS
$10
$5
$0
($5)
($10)
($15)
($20)
($25)
93
94
95
96
97
98
99
00
01
02
Investment Income
Interest Expense
Gain (Loss) On Disp Of PPE
Other Income (expense), Net

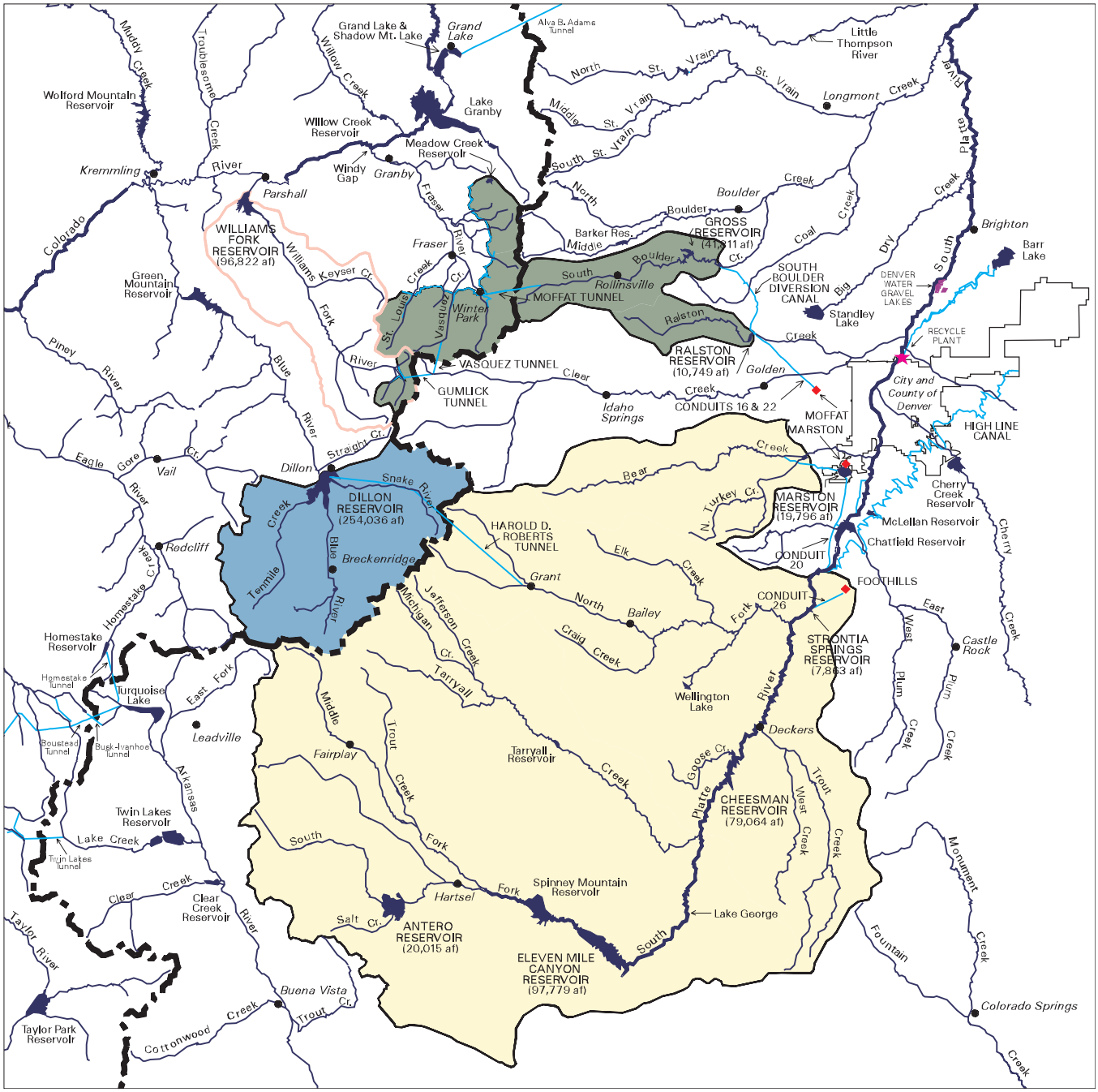
Supply

2002 Facts

Raw water collected	148,820	A.F.
Percent of average yield-last 10 years	49%	
Percent from South Platte System	40%	
Percent from Moffat System	22%	
Percent from Roberts Tunnel System	38%	
Reservoir storage, January 1	544,527	A.F.
Percent of capacity	81%	
Reservoir storage, December 31	309,874	A.F.
Percent of capacity	46%	
Power generation	54,905,298	KWH
Value of power generation	$1,634,851	

Note: Reservoirs used for computing total storage and percent of capacity changed for the 2002 report.

City and County of Denver
Board of Water Commissioners
Water Collection System



LEGEND

- South Platte Collection System
- Roberts Tunnel Collection System
- Moffat Collection System
- Williams Fork Reservoir Watershed
- Denver Water Treatment Plant
- Continental Divide
- Major Stream or River
- Major Canal or Tunnel
- Major Lake or Reservoir
- Town

N

S

0 5 10 20 40

Miles

SOURCE OF SUPPLY - 2002
Reservoirs and Collection Systems

RAW WATER STORAGE	Capacity in Acre-Feet	Capacity in Million Gals.
Storage Reservoirs:		
Dillon	254,036	82,777.9
Eleven Mile Canyon	97,779	31,861.4
Cheesman	79,064	25,763.1
Gross	41,811	13,624.2
Antero	20,015	6,521.9
Chatfield	27,428	8,937.4
Soda Lakes (Board owns 35.16% of water)	645	210.2
Total Storage Reservoirs	520,778	169,696.0
Operating Reservoirs:		
Marston Lake	19,796	6,450.5
Ralston	10,749	3,502.6
Strontia Springs	7,863	2,562.2
Long Lakes	1,787	582.3
Platte Canyon	910	296.5
Total Operating Reservoirs	41,105	13,394.1
TOTAL RAW WATER STORAGE	561,883	183,090.1

REPLACEMENT RESERVOIRS		
Williams Fork	96,822	31,549.5
Wolford Mountain (Board owns 40% of water)	25,610	8,345.0
Total Replacement Reservoirs	122,432	39,894.6

MOUNTAIN COLLECTION SYSTEM	Length in Feet	Length in Miles
Moffat Collection System:		
Concrete and Steel Pipe	91,649	17.4
Moffat Water Tunnel	32,383	6.1
Open Canals	20,223	3.8
Covered Canals	23,207	4.4
Other Tunnels	10,953	2.1
Total Moffat Collection System	178,415	33.8
Williams Fork Collection System:		
Steel Pipe	18,939	3.6
Vasquez Tunnel	17,874	3.4
A. P. Gumlick Tunnel	15,572	3.0
Open Canals	1,795	0.3
Total Williams Fork Collection System	54,180	10.3
Roberts Tunnel	122,953	23.3
South Boulder Diversion Conduit:		
Open Canals	33,250	6.3
Concrete and Steel Pipe	10,948	2.1
Tunnels	7,704	1.5
Covered Canals	1,748	0.3
Total South Boulder Diversion Conduit	53,650	10.2
TOTAL MOUNTAIN COLLECTION SYSTEM	409,198	77.6

SOURCE OF SUPPLY - 2002 (Continued)
Supply Mains and Wells

RAW WATER SUPPLY MAINS

	Size	Kind of Pipe	Capacity in MGD	Length in Feet	Length in Miles
Conduit 14:	48"	Concrete	32.0	3,324	0.6
Conduit 15:	60"	Concrete		8,040	1.5
	60"	Steel		11,158	2.1
	72"	Concrete		6,057	1.2
	72"	Steel		6,185	1.2
Total Conduit 15			100.0	31,440	6.0
Conduit 16:	42"	Concrete		44,707	8.4
	42"	Steel		579	0.1
	48"	Concrete		346	0.1
Total Conduit 16			62.0	45,632	8.6
Conduit 20:	60"	Steel		1,038	0.2
	84"	Steel		563	0.1
	90"	Concrete		59,899	11.3
	96"	Concrete-Lined Tunnel		3,012	0.6
	108"	Steel		8,000	1.5
Total Conduit 20			222.0	72,512	13.7
Conduit 22:	30"	Concrete		47	- [1]
	48"	Concrete		11	- [1]
	54"	Concrete		44,334	8.4
	54"	Steel		510	0.1
Total Conduit 22			137.0	44,902	8.5
Conduit 26:					
	126"	Steel		1,746	0.3
	126"	Concrete		147	- [1]
	126"	Concrete-Lined Tunnel		16,089	3.0
Total Conduit 26			750.0	17,982	3.3
TOTAL RAW WATER SUPPLY MAINS				215,792	40.7

[1]Less than 0.1 mile.

INFILTRATION GALLERIES & WELLS

	Capacity in MGD
Cherry Creek Wells:	
Well O	1.2
Farnell Lane Well Field	- [1]

[1]Alternative uses for supplies from the Farnell Lane Well Field are presently under study.

HYDROELECTRIC POWER - 2002

POWER GENERATION, PURCHASE, DISTRIBUTION, AND BANKINC

POWER GENERATION AND PURCHASE	Kilowatt Hours	Value
Net Power Generation:[1]		
Dillon	6,769,240	$ 199,366
Foothills	4,297,400	159,463
Hillcrest	7,140,124	258,029
Roberts Tunnel	23,848,513	630,001
Strontia Springs	6,481,621	139,983
Williams Fork	6,368,400	248,009
Total Power Generation	54,905,298	1,634,851
Power Purchased for Department of Energy (DOE) power interferenc	7,060,000	164,310
TOTAL POWER GENERATION AND PURCHASE	61,965,298	1,799,161
POWER DISTRIBUTION		
Power Consumption:[1]		
Foothills	2,458,254	116,651
Hillcrest	1,473,254	126,668
Total Power Consumption	3,931,508	243,319
Power Sales:		
To Public Service:		
Dillon	6,769,240	199,366
Foothills	1,839,146	42,812
Hillcrest	5,666,870	131,361
Roberts Tunnel	23,848,513	630,001
Strontia Springs	6,481,621	139,983
	44,605,390	1,143,523
To Tri-State:		
Williams Fork	6,368,400	248,009
Total Power Sales	50,973,790	1,391,532
Power Deliveries to DOE for Power Interference		
Williams Fork	250,073	5,820
Purchased Power	6,809,927	158,490
Total Power Deliveries to DOE	7,060,000	164,310
TOTAL POWER DISTRIBUTION	61,965,298	1,799,161
DOE BANKED POWER INTERFERENCE ACCOUNT[2]		
Balance, Beginning of Year[3]	131,199,000	3,935,970
Power Deliveries to DOE	6,809,927	204,298
Net Interference	(6,366,000)	(190,980)
Balance, End of Year	131,642,927	$3,949,288

[1]Net Power Generation is total generation less station service (except Foothills and Hillcrest) and transmission wheeling losses. Value of Williams Fork power and that consumed by Foothills and Hillcrest based on PSC tariff schedule TT June 4, 1988.

[2]Value based on 30 mills/kwh (approximate average of PSC and DOE rates).

[3]Beginning balances do not equal ending balances from prior year due to corrections of prior year balances.

HYDROELECTRIC POWER - 2002 (Continued)

POWER VALUE, COST, AND RETURN ON INVESTMENT

	Power Plant						
	Dillon	Foothills	Hillcrest	Roberts Tunnel	Strontia Springs	Williams Fork	Total
Date of Commercial Operation:	Oct 1, 1987	May 25, 1985	Jun 30, 1993	Jan 30, 1988	Aug 11, 1986	July 25, 1959	
VALUE OF POWER GENERATION							
Public Service Company Sales	$ 199,366	$ 42,812	$ 131,361	$ 630,001	$ 139,983	$ -	$ 1,143,523
Foothills Consumption	-	116,651	-	-	-	-	116,651
Hillcrest Consumption	-	-	126,668	-	-	-	126,668
Delivered to Tri-State	-	-	-	-	-	248,009	248,009
TOTAL VALUE	199,366	159,463	258,029	630,001	139,983	248,009	1,634,851
COST OF POWER GENERATION							
Transmission Wheeling	-	3,160	-	19,931	-	-	23,091
Operation and Maintenance	87,612	76,278	257,933	150,239	60,968	82,599	715,629
Administrative Expense	21,156	27,405	42,318	27,412	14,254	19,802	152,347
Depreciation	93,754	53,024	136,299	126,667	43,686	12,258	465,688
TOTAL COST	202,522	159,867	436,550	324,249	118,908	114,659	1,356,755
Net Return (Loss)	$ (3,156)	$ (404)	$ (178,521)	$ 305,752	$ 21,075	$ 133,350	$ 278,096
Plant Investment (Before Depreciation)	$ 4,467,718	$ 2,049,002	$ 6,301,011	$ 5,972,138	$ 1,717,460	$ 1,344,498	$ 21,851,827
Return on Investment	(0)%	(0)%	(3)%	5%	1%	10%	1%

WATER SUPPLY, USE, AND STORAGE: 1993 - 2002

Values in acre-feet

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
SUPPLY										
South Platte System:										
South Platte Direct Rights	**34,238**	67,216	78,106	138,421	118,924	119,689	75,280	109,674	61,177	61,014
South Platte Storage Rights	**4,686**	43,142	38,406	66,492	60,580	68,492	36,266	55,634	42,940	36,430
Bear Creek	**901**	1,844	908	-	-	47	14	154	569	214
Total South Platte System	**39,825**	112,202	117,420	204,913	179,504	188,228	111,560	165,462	104,686	97,658
Blue River/Roberts Tunnel System	**56,848**	102,282	102,750	54,064	48,384	92,174	89,268	98,176	90,479	135,770
Effluent Exchange[1]	**19,031**	17,724	16,492	5,864	11,444	6,250	19,682	12,824	29,430	20,256
Moffat System:										
Fraser Collection System	**21,678**	51,288	49,355	35,018	30,166	44,932	47,838	18,174	37,204	32,408
Williams Fork Collection System	**7,856**	11,350	3,612	278	2,534	2,692	1,508	26	-	460
Cabin-Meadow Creek System	**3,582**	5,716	6,406	570	3,680	2,820	3,068	5,252	7,104	3,652
South Boulder Creek	-	2,810	-	16,140	12,144	22,142	7,892	33,421	102	620
Ralston Creek	-	132	438	5,266	5,696	5,044	214	12,398	1,372	1,328
Total Moffat System	**33,116**	71,296	59,811	57,272	54,220	77,630	60,520	69,271	45,782	38,468
Total Water Supply	**148,820**	303,504	296,473	322,113	293,552	364,282	281,030	345,733	270,377	292,152
USE										
Foothills Filters	**158,777**	141,780	165,454	174,596	181,238	162,841	152,057	153,757	145,954	169,908
Marston Filters	**54,849**	59,614	47,463	26,667	15,574	26,874	20,750	16,877	43,216	39,215
Moffat Filters	**17,649**	47,481	43,031	29,915	40,949	41,491	57,206	29,634	45,758	13,612
Total Water Filtered	**231,275**	248,875	255,948	231,178	237,762	231,206	230,013	200,268	234,928	222,735
Change in Clear Water Storage	**(340)**	(136)	382	(291)	(17)	(2)	119	32	(107)	(47)
Total Treated Water Delivered[2]	**230,935**	248,739	256,330	230,887	237,745	231,204	230,132	200,300	234,821	222,688
Raw Water Deliveries	**44,454**	29,040	38,478	26,248	27,063	30,248	30,910	26,012	34,474	40,743
Operating Losses[3]	**31,812**	17,084	23,268	22,646	11,176	57,275	20,252	64,626	21,222	19,995
Evaporation Losses	**8,242**	8,310	8,995	1,711	6,879	1,878	6,154	2,207	10,961	8,236
Total Water Use	**315,443**	303,173	327,071	281,492	282,863	320,605	287,448	293,145	301,478	291,662
STORAGE[4]										
Total Reservoir Storage, December 31	**309,874**	544,527	553,929	607,921	591,462	607,786	555,276	605,702	523,882	563,422
Total Reservoir Storage, January 1	**544,527**	553,929	607,921	591,462	607,786	555,276	605,702	523,882	563,422	551,572
Storage Gain or (Loss)	**(234,653)**	(9,402)	(53,992)	16,459	(16,324)	52,510	(50,426)	81,820	(39,540)	11,850

[1] Initiated exchange programs for Blue River effluent on September 10, 1976.

[2] Total Treated Water Delivered is determined by adding or subtracting Change in Clear Water Storage from Total Water Filtered.

[3] Operating losses are computed. They include river carrying charges and losses between supply and distribution system measuring points, but do not include spills or by-passes attributable to the capacity limitations of facilities.

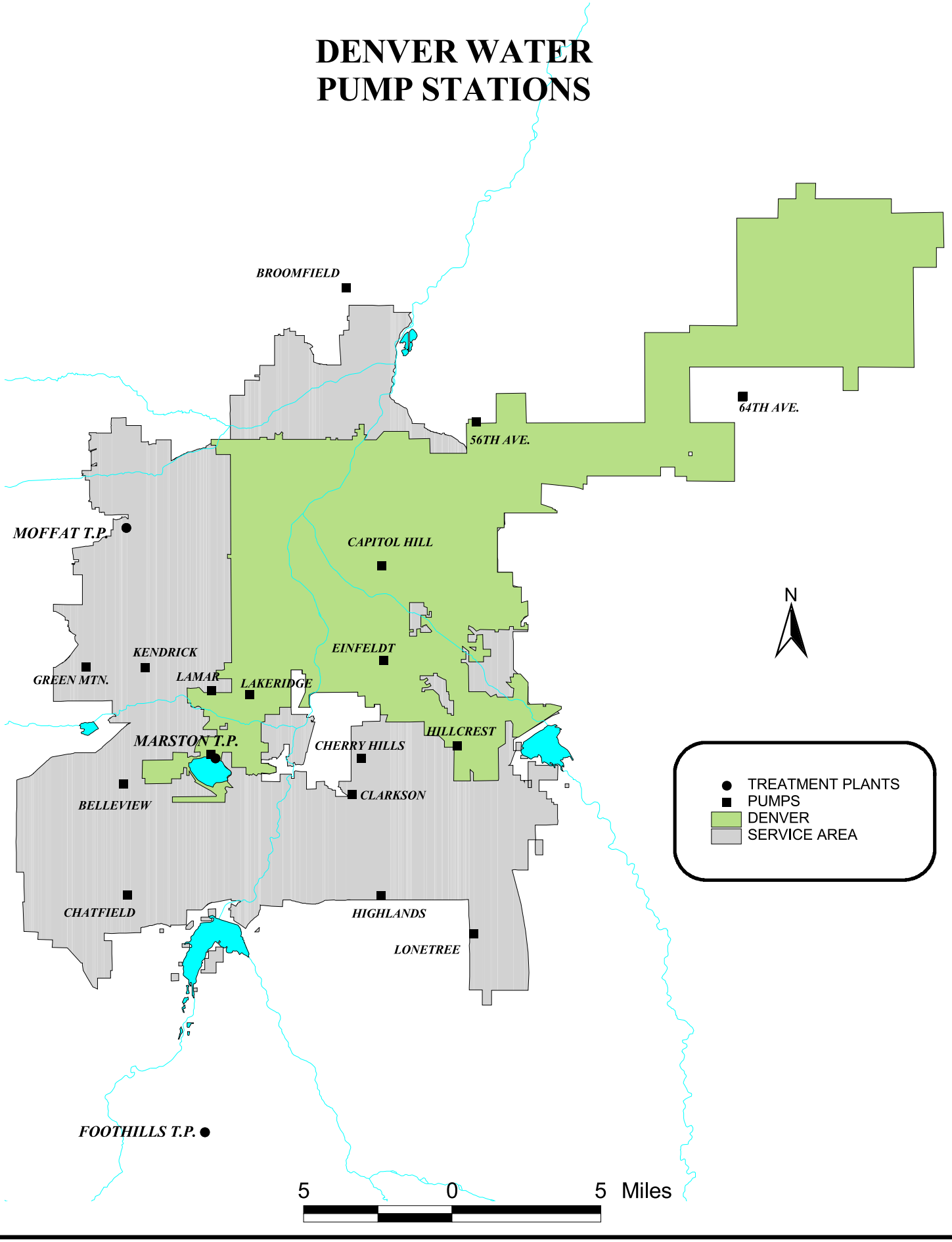
[4] Reservoirs used to compute total storage changed for the 2002 report. 1993-2001 data were adjusted for this change.

Pumping

2002 Facts

Water pumped - Current year	51,205.33	MG
Water pumped - Last year	54,161.28	MG
Percentage decrease from last year	(5)%	
Number of pump stations	18	
Maximum pumping capacity	1,070.6	MGD
Pumping energy costs - Current year	$1,886,796	
Pumping energy costs - Last year	$2,557,095	
Percentage decrease from last year	(26)%	

DENVER WATER PUMP STATIONS



PUMPING STATION CAPACITIES - 2002

Center of pump U.S.G.S. elevation in parenthese

Pump Station/Elevation	Pump Number	Make of Pump	Make of Motor	Horse-power	Head in Feet	Capacity in MGD	Method of Operation[1]
BELLEVIEW (5,714)	4	Goulds	Ideal Electric	900	260	15.0	M R
(High Pressure)	5	Worthington	Westinghouse	300	260	5.0	M R
11200W. Belleview Ave.	6	Worthington	General Electric	600	260	10.0	M R
	7	Worthington	General Electric	900	260	15.0	M R
				2,700		45.0	
BELLEVIEW (5,714)	1	Goulds	General Electric	250	175	6.0	M R
(Low Pressure)	2	Goulds	General Electric	400	175	10.0	M R
11200W. Belleview Ave.				650		16.0	
BROOMFIELD (5,316)	1	Patterson	Ideal Electric	400	350	5.0	M R
9265 Washington St.	2	Patterson	Ideal Electric	400	350	5.0	M R
	3	Patterson	Ideal Electric	400	350	5.0	M R
				1,200		15.0	
CAPITOL HILL (5,387)	3	Wheeler Economy	General Electric	800	175	20.0	M R
1000 Elizabeth St.	4	Byron Jackson	General Electric	400	175	12.0	M R
	5	Cameron	General Electric	700	164	20.0	M R
	6	Byron Jackson	Westinghouse	600	175	17.0	M R
	7	Byron Jackson	Westinghouse	800	175	23.0	M R
				3,300		92.0	
CASTLEWOOD (5785)[2]	1	Paco	Lincoln Linguard	75		2.3	M L
9502 E.Arapahoe Rd.	2	Paco	Lincoln Linguard	75		2.3	M L
				150		4.6	
CHATFIELD (5,717)	1	ITT	US Motor	200	150	5.0	M R
8371 Continental Divide Rd.	2	ITT	US Motor	200	150	5.0	M R
(Low Pressure)	3	ITT	US Motor	200	150	5.0	M R
				600		15.0	
CHATFIELD (5,717)	5	ITT	US Motor	400	320	5.0	M R
8371 Continental Divide Rd.	6	ITT	US Motor	400	320	5.0	M R
(High Pressure)				800		10.0	
CHERRY HILLS (5,380)	1	Worthington	General Electric	1,000	220	20.0	M R
1590 Radcliff Ave.	2	Worthington	General Electric	1,000	220	20.0	M R
	3	Worthington	General Electric	1,000	220	20.0	M R
	4	Worthington	General Electric	1,000	220	20.0	M R
	5	Worthington	General Electric	1,000	220	20.0	M R
	6	Worthington	General Electric	1,000	220	20.0	M R
				6,000		120.0	
CLARKSON (5,482)[2]	1	Fairbanks Morse	Fairbanks Morse	150	234	2.1	M R
5300 S. Clarkson St.	2	Fairbanks Morse	Fairbanks Morse	150	234	2.1	M R
	3	Fairbanks Morse	Fairbanks Morse	150	234	2.1	M R
	4	Fairbanks Morse	Fairbanks Morse	150	234	2.1	M R
	5	Fairbanks Morse	Fairbanks Morse	150	234	2.1	M R
	6	Fairbanks Morse	Fairbanks Morse	150	234	2.1	M R
				900		12.6	
EINFELDT (5,341)	2	Wheeler Economy	General Electric	800	175	20.0	M R
1900 S. University Blvd.	3	Byron Jackson	General Electric	600	175	17.0	M R
	4	Byron Jackson	General Electric	400	175	12.0	M R
	5	Byron Jackson	Westinghouse	200	175	5.3	M R
	6	Worthington	Electric Machinery	800	175	20.0	M R
	7	Wheeler Economy	General Electric	800	175	20.0	M R
				3,600		94.3	

[1]M=Manual, R=Remote, L=Local

[2]Vault Type Structure (underground)

(Continued next page)

PUMPING STATION CAPACITIES - 2002 (Continued)

Center of pump U.S.G.S. elevation in parentheses

Pump Station/Elevation	Pump Number	Make of Pump	Make of Motor	Horse-power	Head in Feet	Capacity in MGD	Method of Operation[1]
FIFTY-SIXTH AVENUE (5,203)	2	Allis Chalmers	Ideal Electric	1,750	450	15.0	M R
7355 56th Ave.	3	Allis Chalmers	Ideal Electric	1,750	450	15.0	M R
	4	Allis Chalmers	Ideal Electric	1,750	450	15.0	M R
	5	Allis Chalmers	Ideal Electric	1,750	450	15.0	M R
	8	Gould	U.S. Motor	500	75	30.0	M R
	9	Gould	U.S. Motor	500	75	30.0	M R
				8,000		120.0	
GREEN MOUNTAIN (5,837)	1	Patterson	General Electric	700	260	10.0	M R
12400 W. Jewell Ave.	2	Patterson	General Electric	350	260	5.0	M R
	3	Patterson	General Electric	350	260	5.0	M R
	4	Patterson	General Electric	700	260	10.0	M R
				2,100		30.0	
HIGHLANDS (5,704)	1	Fairbanks Morse	General Electric	125	165	3.0	M R
(Low Pressure)	2	Fairbanks Morse	General Electric	125	165	3.0	M R
8100 S. University Blvd.	3	Fairbanks Morse	General Electric	125	165	3.0	M R
	4	Fairbanks Morse	General Electric	125	165	3.0	M R
	5	DeLaval	Ideal Electric	350	165	10.0	M R
	6	DeLaval	Ideal Electric	350	165	10.0	M R
	7	DeLaval	Ideal Electric	350	165	10.0	M R
				1,550		42.0	
HIGHLANDS (5,704)	1	Gould	General Electric	900	260	15.0	M R
(High Pressure)	4	Gould	General Electric	900	260	15.0	M R
8100 S. University Blvd.	6	Gould	General Electric	300	110	10.0	M R
	7	Gould	General Electric	300	110	10.0	M R
	8	Gould	General Electric	150	110	5.0	M R
	9	Gould	General Electric	150	110	5.0	M R
				2,700		60.0	
HILLCREST (5,602)	1	Allis Chalmers	Allis Chalmers	50	169	1.0	M R
(Low Pressure)	2	Allis Chalmers	Allis Chalmers	100	167	2.0	M R
4200 S. Happy Canyon Rd.	3	DeLaval	Electric Machinery	200	163	5.0	M R
	4	DeLaval	Electric Machinery	400	163	11.0	M R
	5	DeLaval	Electric Machinery	400	163	11.0	M R
	6	Worthington	Fairbanks Morse	400	163	11.0	M R
	7	Worthington	Fairbanks Morse	400	163	11.0	M R
				1,950		52.0	
HILLCREST (5,602)	8	American Marsh	Westinghouse	75	320	0.8	M R
(High Pressure)	10	DeLaval	Electric Machinery	350	313	4.8	M R
4200 S. Happy Canyon Rd.	11	DeLaval	Electric Machinery	800	315	10.5	M R
	12	DeLaval	Electric Machinery	800	315	10.5	M R
	13	Patterson	Ideal Electric	900	320	10.0	M R
				2,925		36.6	
KENDRICK (5,607)	1	Patterson	Ideal Electric	300	120	10.0	M R
(Low Pressure)	2	DeLaval	General Electric	300	117	10.0	M R
9380 W. Jewell Ave.	3	Worthington	General Electric	75	119	2.9	M R
	4	Worthington	General Electric	75	119	2.9	M R
	5	Worthington	General Electric	75	119	2.9	M R
				825		28.7	

[1]M=Manual, R=Remote, L=Local

(Continued next page)

PUMPING STATION CAPACITIES - 2002 (Continued)
Center of pump U.S.G.S. elevation in parentheses

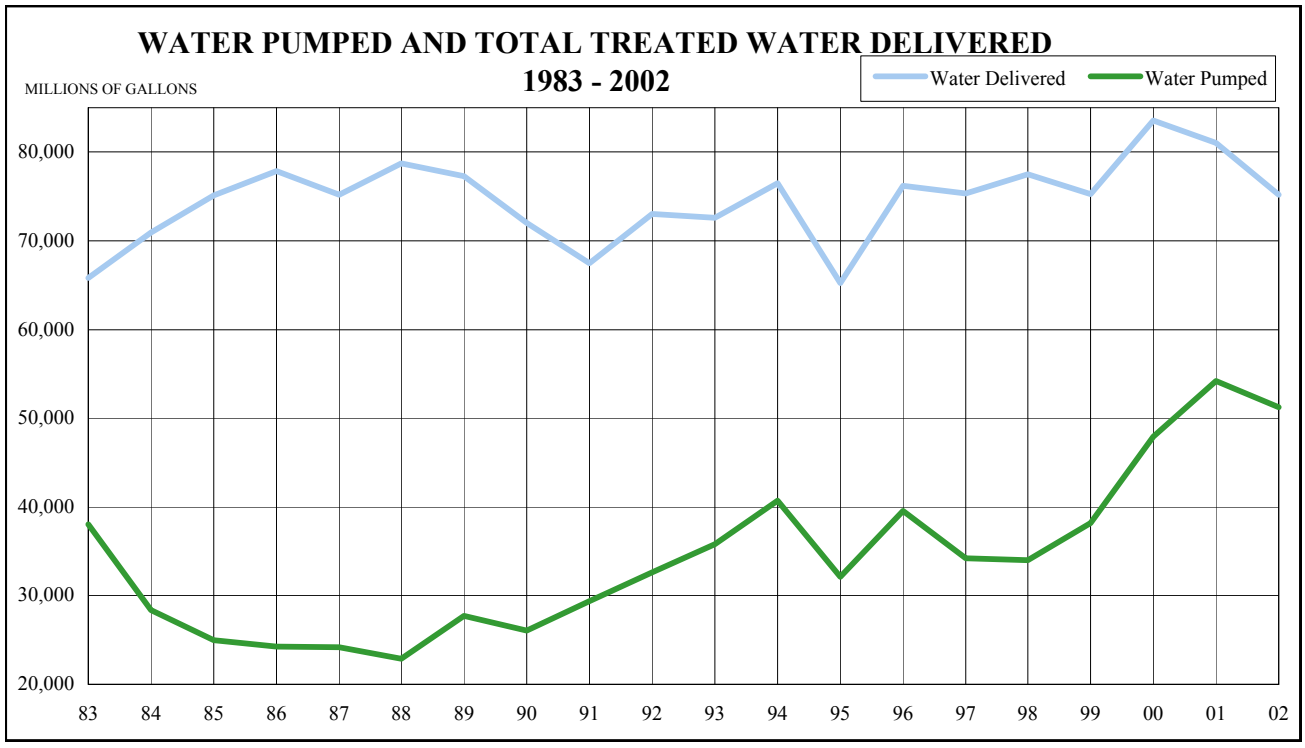
Pump Station/Elevation	Pump Number	Make of Pump	Make of Motor	Horse-power	Head in Feet	Capacity in MGD	Method of Operation[1]
KENDRICK (5,607)	7	Worthington	Electric Machinery	800	260	10.0	M R
(High Pressure)	8	Worthington	Electric Machinery	800	260	10.0	M R
9380 W. Jewell Ave.	9	Goulds	Waukesha[3]	700	260	10.0	M R
	10	DeLaval	Waukesha[3]	400	260	5.0	M R
	11	Patterson	Ideal Electric	700	260	10.0	M R
				3,400		45.0	
LAKERIDGE (5,516)	1	American	United States	50	120	1.7	M R
2700 S. Raleigh St.	2	Pacific	Ideal Electric	75	120	2.9	M R
	3	Pacific	Ideal Electric	75	120	2.9	M R
	4	Allis Chalmers	Allis Chalmers	50	120	2.0	M R
				250		9.5	
LAMAR (5,443)[2]	1	Worthington	Marathon Electric	100	120	2.9	M R
6301 W. Yale Ave.	2	Worthington	Marathon Electric	100	120	2.9	M R
	3	Worthington	Fairbanks Morse	75	120	2.0	M R
				275		7.8	
LONE TREE (5,904)	3	Gould	Siemens & Allis	300	127	10.0	M R
(Low Pressure)	4	Gould	Siemens & Allis	150	127	5.0	M R
7700 E. Chapparel Rd.	5	Gould	Siemens & Allis	150	127	5.0	M R
				600		20.0	
LONE TREE (5,904)	6	Gould	Siemens & Allis	300	227	5.0	M R
(High Pressure)	7	Gould	Siemens & Allis	600	227	10.0	M R
7700 E. Chapparel Rd.	8	Gould	Siemens & Allis	600	227	10.0	M R
				1,500		25.0	
MARSTON (5,485)	1	Worthington	Waukesha[3]	700	166	20.0	M R
(Low Pressure)	2	Worthington	General Electric	700	166	20.0	M R
5700 W. Quincy Ave.	3	Worthington	General Electric	700	166	20.0	M R
	4	Worthington	General Electric	700	166	20.0	M R
	5	Worthington	General Electric	700	166	20.0	M R
				3,500		100.0	
MARSTON (5,485)							
(High Pressure)							
5700 W. Quincy Ave.	8	Patterson	Waukesha[3]	400	260	6.5	M R
	9	Ingersoll-Rand	Reliance Electric	500	260	8.0	M R
	10	Patterson	Ideal Electric	900	260	15.0	M R
	11	Patterson	Ideal Electric	900	260	15.0	M R
				2,700		44.5	
SIXTY-FOURTH AVENUE (5,427)	3	Fairbanks Morse	United States	100	90	5.0	M R
(Low Pressure)	6	Fairbanks Morse	United States	200	90	10.0	M R
21850 E. 64th Ave.				300		15.0	
SIXTY-FOURTH AVENUE (5,427)	1	Fairbanks Morse	United States	400	170	10.0	M R
(High Pressure)							
21850 E. 64th Ave.							
			Grand Total	52,875		1,070.6	

Note: City Datum = 5,172.91
[1]M=Manual, R=Remote, L=Local
[2]Vault Type Structure (underground)
[3]Natural Gas Engine

WATER PUMPED AND POWER COSTS: 1983 - 2002

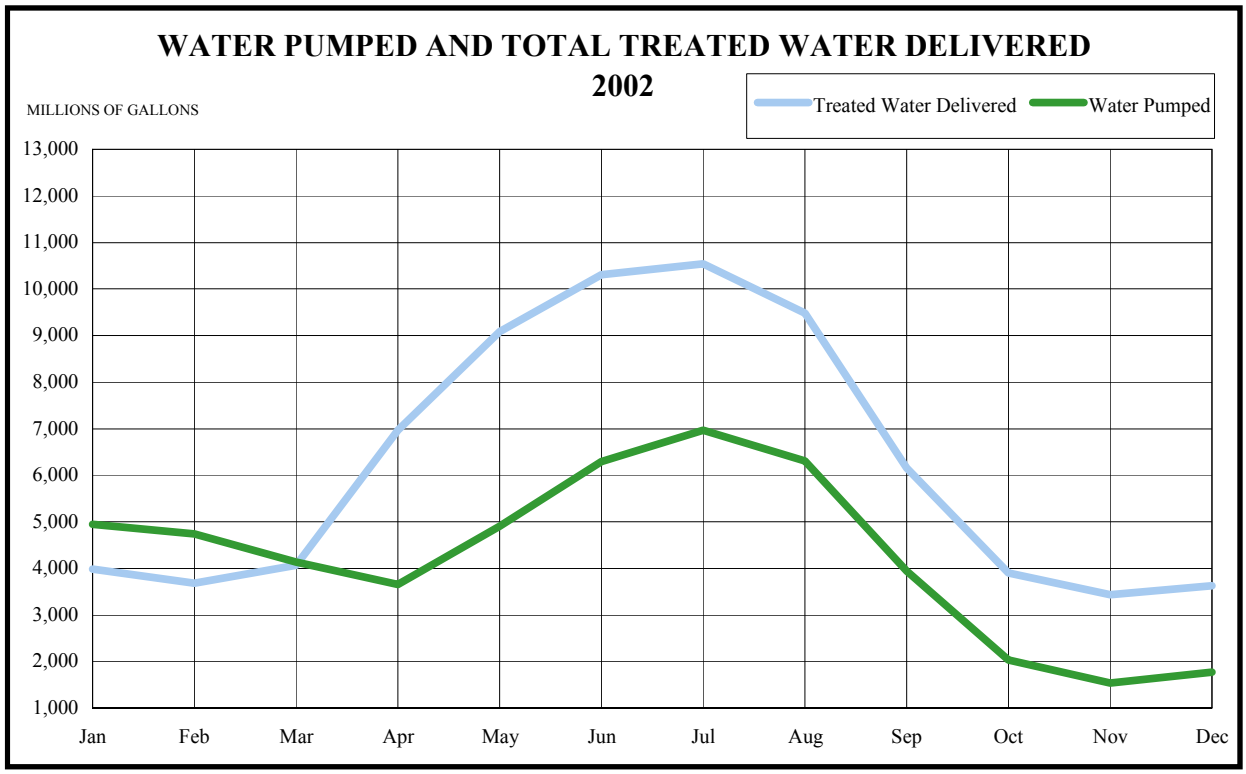
Year	Water Pumped (million gals.)	Total Treated Water Delivered (million gals.)	Pumps Number	Pumps Capacity (million gals.)	Total Pumping Power Used (kwh)	Gas Used (dth)	Total Power, Electric and Gas Costs[1]
1983	38,010.33	65,815.78	131	1,109.4	41,763,645	-	$2,204,291
1984	28,378.59	70,930.52	121	1,088.1	36,468,802	-	$2,316,083
1985	25,000.29	75,100.00	128	1,182.2	34,963,885	-	$2,114,549
1986	24,237.58	77,887.63	129	1,203.6	27,464,812	-	$1,895,623
1987	24,158.20	75,162.49	127	1,201.8	28,220,134	-	$1,818,839
1988	22,870.50	78,718.55	118	1,156.8	23,762,950	-	$1,572,461
1989 [2]	27,724.95	77,262.29	118	1,156.8	27,181,894	-	$1,859,268
1990 [2]	26,089.81	72,043.94	113	1,091.8	27,734,829	-	$1,814,124
1991	29,349.37	67,435.91	113	1,091.8	27,167,261	-	$1,778,200
1992	32,613.51	73,043.27	113	1,091.8	29,349,535	-	$1,782,578
1993	35,826.13	72,562.61	113	1,091.8	31,537,298	-	$1,800,790
1994	40,720.24	76,516.08	116	1,116.8	36,619,984	-	$1,949,520
1995	32,115.03	65,267.91	116	1,116.8	30,722,542	-	$1,783,567
1996	39,578.30	76,203.96	105	1,027.5	40,222,555	-	$2,638,872
1997	34,179.67	75,363.33	105	1,027.5	31,876,334	23,055	$1,997,924
1998	33,990.21	77,466.65	105	1,027.5	30,170,882	38,331	$1,881,873
1999	38,149.92	75,232.01	106	1,052.5	33,378,202	18,927	$1,915,984
2000	47,953.92	83,585.25	106	1,052.5	39,257,987	20,159	$2,166,806
2001	54,161.28	81,051.42	106	1,052.5	42,691,836	15,096	$2,774,857
2002	51,205.33	75,221.18	109	1,070.6	46,058,108	7,217	$1,986,429

[1]Total energy costs for all Denver metropolitan area Board water distribution facilities.
[2]Foothills Treatment Plant out of service from October 16, 1989 through March 2, 1990.



WATER PUMPED MONTHLY - 2002
(millions of gallons)

	Water Pumped	Total Treated Water Delivered		Water Pumped	Total Treated Water Delivered
January	4,939.48	3,986.16	August	6,303.05	9,485.05
February	4,735.74	3,676.94	September	3,943.36	6,154.50
March	4,137.74	4,070.22	October	2,031.48	3,898.92
April	3,649.83	6,968.92	November	1,531.65	3,434.45
May	4,901.00	9,084.57	December	1,774.03	3,621.04
June	6,294.52	10,302.49			
July	6,963.45	10,537.92	Total Year	51,205.33	75,221.18



WATER PUMPED BY STATION - 2002
(millions of gallons)

Belleview (Low)	736.43	Hillcrest (High)	1,812.08
Belleview (High)	4341.12	Kendrick (Low)	831.63
Broomfield	1,281.77	Kendrick (High)	1,914.60
Capital Hill	1,472.57	Lakeridge	1,008.04
Chatfield (Low)	1,438.19	Lamar	1,074.73
Chatfield (High)	747.87	Lone Tree (Low)	19.01
Cherry Hills	4,686.51	Lone Tree (High)	1,396.28
Clarkson Street	664.16	Marston (Low)	5,874.93
Einfeldt	1,204.97	Marston (High)	3,057.08
Fifty-Sixth Avenue	6,121.53	Sixty-Fourth Ave. (High)	59.23
Green Mountain	1,907.81	Sixty-Fourth Ave. (Low)	317.11
Highlands (Low)	3,153.65		
Highlands (High)	5,222.32	Total	51,205.33
Hillcrest (Low)	2,257.99		

DISTRIBUTING RESERVOIRS AND RAW WATER PUMPING STATIONS - 200

High water U.S.G.S. elevation in parentheses

	Capacity (million gals.)
Alameda & Beech (6,042)[1]	
Number 1	1.0
Number 2	2.0
	3.0
Ashland (5,430)	
East Basin	19.1
West Basin	21.9
	41.0
Belleview (5,743)	10.0
Broomfield (5,335)	
Number 1	2.5
Number 2	2.5
	5.0
Broomfield Tank (5,534)[1]	
Number 1	3.0
Number 2	3.0
	6.0
Capitol Hill (5,395)	
Number 1	23.4
Number 2	29.8
Number 3	27.0
	80.2
Chatfield Tank (5,740)	
Number 1	5.0
Number 2	5.0
	10.0
Colorow (6007)	3.7
Fifty-Sixth Avenue (5,223)	15.0
Foothills (5,860)	
Number 1	25.0
Number 2	25.0
Number 3	25.0
	75.0
Green Mountain (5,859)	5.0
Highlands (5,722)	
Number 1	3.3
Number 2	3.2
Number 3	13.5
	20.0
Hillcrest (5,624)	
Number 1	14.8
Number 2	14.8
	29.6
Hogback (6,007)	3.95
KenCaryl Ranch (6,410)[1]	
Number 3	2.0
Number 4	2.0
	4.0
Kendrick (5,627)	15.0
Lone Tree (5,930)	10.0
Marston Treatment (5,497)	
Number 3	6.8
Number 4	9.2
	16.0
Moffat Treatment (5,620)	
Number 1	4.3
Number 2	4.3
Number 3	5.0
Number 4	4.4
	18.0
Sixty-Fourth Avenue (5,460)	15.0
Southgate (6,123)[1]	
Number 1	2.0
Number 2	6.0
	8.0
Utah Tank (6,042)[1]	3.0
Valley Tank (6,000)[1]	2.0
Willows Tank (5868)[1]	
Number 1	2.8
Number 2	5.2
	8.0
Total Capacity	406.45

[1]Not Owned by Denver Water.

RAW WATER PUMPING STATIONS

Pump Station	Pump Number	Make of Pump	Make of Motor	Horse-Power	Head in Feet	Capacity in MGD
Last Chance	1	Worthington	General Electric	30	60	2.2
Metro Sewer	1	Peerless	United States	200	30	30.0
	2	Peerless	General Electric	200	30	30.0
	3	Peerless	General Electric	200	30	30.0
				600	90	90.0
			Total	630	150	92.2

Treatment and Water Quality

2002 Facts

Treated water consumption	75,221.18	MG
Decrease from 2001	(5,833.54)	MG
Average daily consumption	206.09	MG
Maximum daily consumption:		
(June 30)	419.20	MG
Maximum hour treated water use rate:		
(June 30, at 10:00 p.m.)	788.09	MGD
Water Quality:		
Total samples collected	11,788	
Microbiological analyses completed	9,284	
Chemical analyses completed	30,575	

CONSUMPTION OF TREATED WATER: 1983 - 2002

Year	Acre-Feet	(million gallons) Annual	Daily Avg.	Daily Max.	Population[1]	Avg. Daily Gals. Per Capita	Precipitation in Inches[2] Year	4/1 to 9/30
1983	202,325	65,927.77	180.62	433.29	863,000	209	23.87	15.22
1984	217,682	70,931.87	193.80	485.04	862,000[3]	225	19.65	11.28
1985	233,141	75,969.34	208.14	490.84	870,000	239	16.74	11.77
1986	239,039	77,891.17	213.40	505.80	875,000	244	15.62	9.65
1987	230,665	75,162.49	205.92	518.55	879,000	234	22.37	13.08
1988	241,578	78,718.55	215.08	477.65	879,000	245	15.59	11.71
1989	237,342	77,338.15	211.89	553.29	887,000	239	14.69	10.86
1990	221,095	72,043.94	197.38	507.12	891,000	222	17.14	9.60
1991	206,953	67,435.91	184.76	414.79	908,000	203	18.97	14.02
1992	224,162	73,043.27	199.57	414.11	926,000	216	16.35	8.83
1993	222,686	72,562.61	198.80	438.20	943,000	211	15.22	9.39
1994	234,819	76,516.08	209.63	479.01	960,000	218	12.79	7.80
1995	200,300	65,267.91	178.82	453.55	977,000	183	20.56	17.63
1996	233,861	76,203.96	208.21	456.99	995,000	210	14.78	11.25
1997	231,282	75,363.33	206.47	517.57	1,012,000	204	19.95	14.44
1998	237,764	77,475.48	212.26	512.53	1,029,000	206	17.98	13.18
1999	230,879	75,232.01	206.12	475.66	1,046,000	197	19.76	16.86
2000	256,514	83,585.25	228.38	478.19	1,064,000	215	14.29	10.15
2001	248,748	81,054.72	222.07	488.71	1,073,000[4]	207	16.93	12.72
2002	230,845	75,221.18	206.09	419.20	1,081,000	191	9.42	6.43

[1]Population estimates are treated water customers only. Revised data from 1992 to 2000 are interpolated from analysis of the 2000 Census.

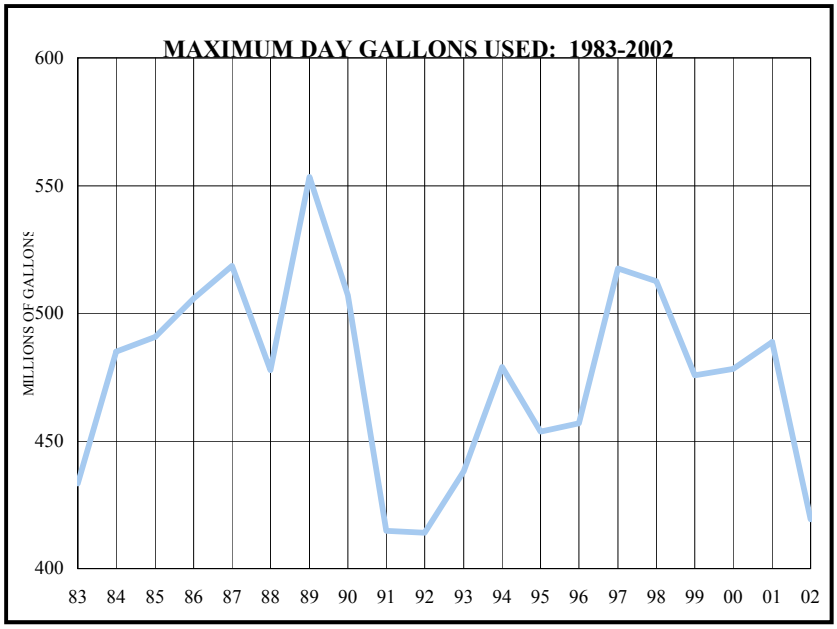
[2]Precipitation readings are the averages of Stapleton, Lakewood, Cherry Creek Dam, and Kassler measurement stations.

[3]Population decrease due to loss of Sable District from the system.

[4]2001 Population adjusted for a correction by the Denver Regional Council of Governments.

TREATMENT PLANT CAPACITY

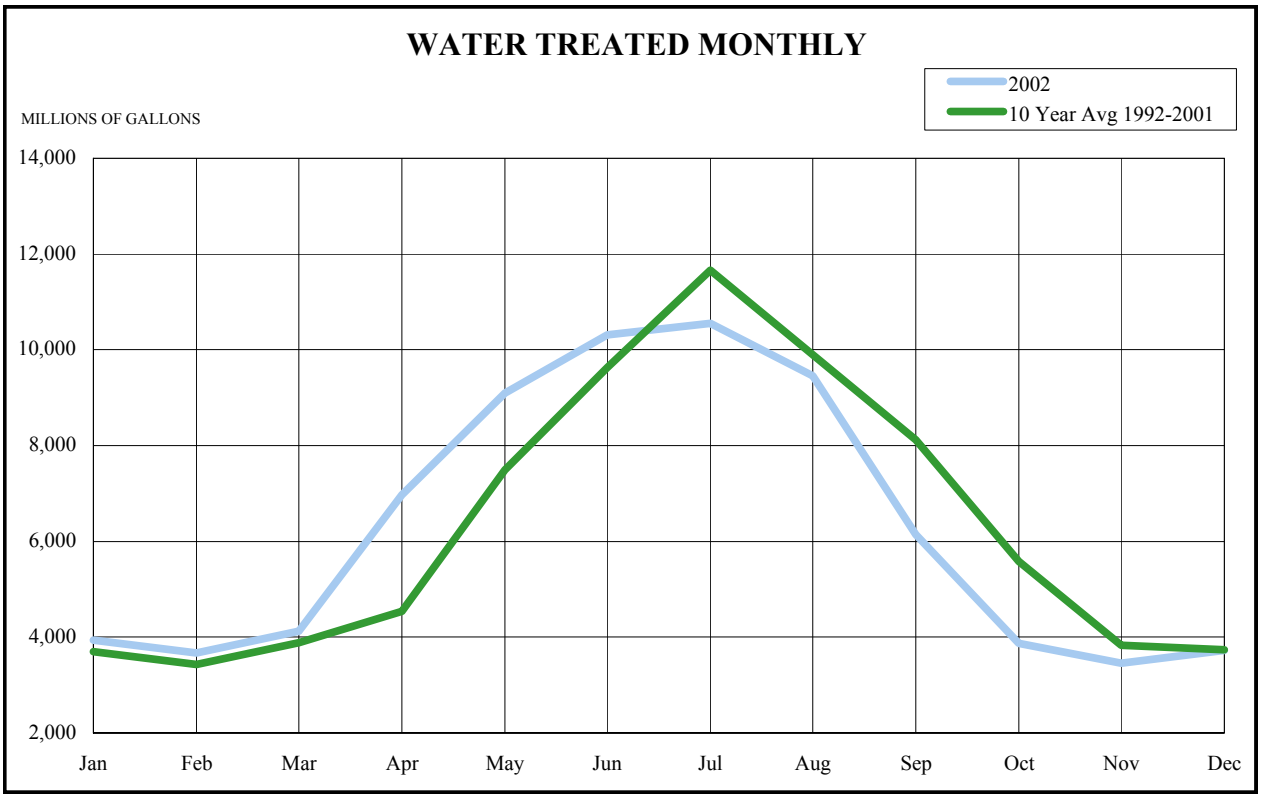
Plant	Type	Capacity in MGD
Foothills	Dual-Media	280.0
Marston	Dual-Media	180.0
Moffat	Rapid Sand	185.0
		645.0



WATER TREATED MONTHLY - 2002
(millions of gallons)

	Foothills Filters	Marston Filters	Moffat Filters	Total
January	-	3,003.18	928.80	3,931.98
February	-	2,718.24	956.60	3,674.84
March	805.90	2,301.04	1,012.23	4,119.17
April	5,267.03	933.72	774.01	6,974.76
May	7,352.06	1,112.15	632.84	9,097.05
June	7,693.06	1,980.82	638.35	10,312.23
July	7,850.39	2,036.07	671.29	10,557.75
August	7,569.48	1,755.52	134.69	9,459.69
September	4,807.96	1,339.17	-	6,147.13
October	3,204.45	672.04	-	3,876.49
November	3,442.68	14.28	-	3,456.96
December	3,726.02	-	-	3,726.02
Total	51,719.03	17,866.23	5,748.81	75,334.07

Note: Totals are based on multiple totalizer meter readings at various treatment plant sites. The accuracy of the readings varies within the limits inherent to each water meter.



Total Water Treated for the Year	75,334.07	MG
Change In Clear Water Storage	(112.89)	MG
Total Treated Water Delivered for the Year	75,221.18	MG

CHEMICAL TREATMENT AND ANALYSIS:
TREATED WATER IN DISTRIBUTION SYSTEM - 2002

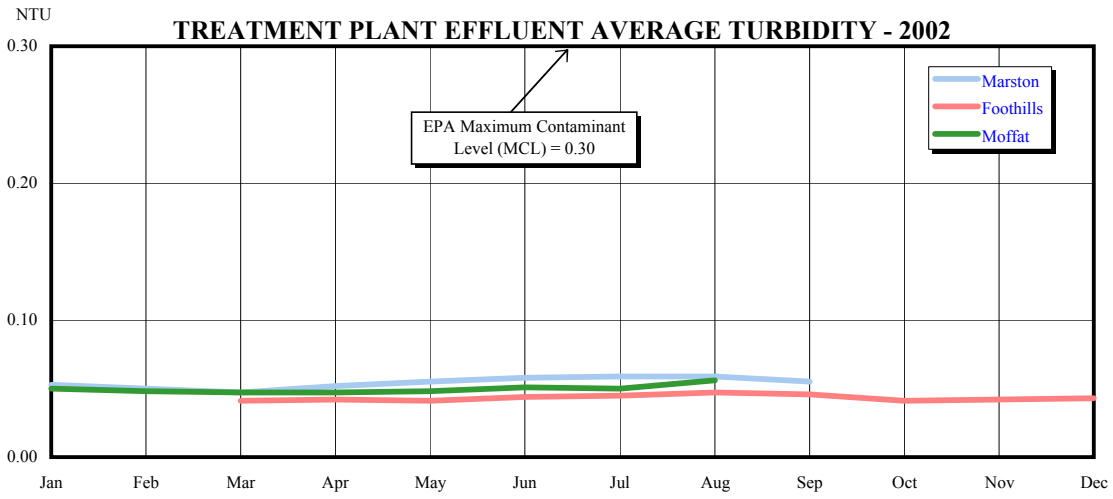
CHEMICAL TREATMENT

	Pounds of Chemicals Used					
	Foothills	Moffat	Marston	Recycling	Total	Total Cost
Aluminum Sulfate	19,566,405	2,716,611	5,798,361	-	28,081,377	$ 948,736
Aqua Ammonia	600,896	75,413	187,063	-	863,372	63,112
Liquid Chlorine	1,244,408	105,320	339,695	-	1,689,423	282,765
Caustic Soda	6,743,174	577,942	1,453,982	-	8,775,098	836,925
Sodium Silicofluoride	271,865	62,316	65,650	-	399,831	103,191
Cationic Polymer	736,415	83,121	357,064	-	1,176,600	529,470
Nonionic Polymer	28,384	24,002	2,373	-	54,759	81,765
Dry Polymer	-	-	55,464	-	55,464	9,609
Hydrated Lime	-	231,272	-	-	231,272	16,638
Quicklime	12,434	-	-	-	12,434	830
Activated Carbon	-	-	55,464	-	55,464	43,262
Sodium Metabisulfite	5,410	30,916	-	55,649	91,975	14,875
Potassium Permanganate	330	-	26,800	-	27,130	34,455
Total pounds	29,209,721	3,924,313	8,341,916	55,649	41,531,599	
Total cost	$2,007,502	$269,246	$680,625	$ 9,000		$2,966,373

DISTRIBUTION SYSTEM & TREATMENT PLANT EFFLUENT TOTAL COLIFORM RESULTS

Month	Number of Samples	Number of Positives	% Positive
January	478	1	0.21%
February	469	0	0.00%
March	491	1	0.20%
April	578	1	0.17%
May	543	0	0.00%
June	522	1	0.19%
July	593	1	0.17%
August	561	0	0.00%
September	539	0	0.00%
October	586	0	0.00%
November	478	1	0.21%
December	540	1	0.19%
	6,378	7	0.11%

The total coliform group of bacteria is a microbiological indicator used to determine the safety of drinking water for human consumption. The EPA and the Colorado Department of Public Health and Environment require that Denver Water test a minimum of 300 treated water samples each month for total coliforms. The Maximum Contaminant Level (MCL) for total coliform specifies that no more than 5% of the samples taken each month may be positive. All positive samples were further analyzed to determine if E. coli bacteria were present, which would indicate possible contamination from a fecal source. There was one positive E. coli sample in 2002, but additional sampling of the site and up and downstream of it were negative.



Turbidity is a measure of the clarity of the water. EPA has established 0.30 NTU as the MCL for turbidity

TREATED WATER QUALITY SUMMARY:
TREATMENT PLANT EFFLUENT AVERAGES – 2002

Analysis	Maximum Contaminant Level (MCL)	Marston	Foothills	Moffat
General (mg/L)				
Alkalinity, Total as $CaCO_3$		66	72	24
Chlorine, Total		1.54	1.54	1.45
Hardness as $CaCO_3$		110	118	32
Monochloramine as Cl_2		1.33	1.42	1.39
pH (SU)		7.7	7.8	7.8
Specific Conductance (µS)		331	342	98
Temperature (°C)		12	12	10
Total Dissolved Solids		195	209	65
Turbidity (NTU)	0.30	0.06	0.04	0.05
Metals (mg/L)				
Aluminum, Available		0.04	0.04	0.02
Aluminum		0.04	0.04	0.03
Barium	2	0.04	0.05	<0.02
Calcium		33.6	34.0	10.7
Copper	TT[1]	0.006	<0.006	<0.006
Iron, Total		<0.07	<0.07	<0.07
Magnesium		8.2	8.5	1.9
Manganese		0.009	<0.005	<0.005
Molybdenum		0.031	0.032	<0.005
Potassium		2.3	2.3	0.7
Sodium		19.6	23.0	6.9
Strontium		0.20	0.20	0.05
Zinc		0.007	0.007	0.008
Ions (mg/L)				
Chloride		24.0	26.0	3.3
Fluoride	4.0	0.87	0.82	0.83
Nitrate-Nitrogen	10	0.07	0.12	0.07
Silicon		1.2	1.6	2.8
Sulfate		67.0	68.9	20.0

(Continued next page)

[1] TT indicates that the MCL involves treatment techniques.
[2] DS indicates that the MCL involves calculations based upon the entire distribution system.

TREATED WATER QUALITY SUMMARY:
TREATMENT PLANT EFFLUENT AVERAGES - 2002 (Continued)

Analysis	Maximum Contaminant Level (MCL)	Marston	Foothills	Moffat
Radiological (pCi/L)				
Beta, Total	4 mRem= 50 pCi/L	3	3	<2
Uranium (mg/L)		0.0007	0.0016	<0.001
Microbiological				
m-Heterotrophic Plate Count (CFU/mL)		3.7	0.30	0.48
Disinfection By-Products (µg/L)				
1,1,1-Trichloropropanone		1.4	2.0	-
1,1-Dichloropropanone		1.0	0.9	-
Bromochloroacetic acid		1.8	2.4	<0.5
Bromochloroacetonitrile		0.8	0.6	-
Bromodichloroacetic acid		2.0	3.5	<1
Bromodichloromethane		5.1	9.1	1.9
Bromoform		0.7	0.4	0.7
Chloral hydrate		0.9	2.5	-
Chlorodibromoacetic acid		<2	<2	<2
Chloroform		6.7	19.2	7.8
Cyanogen chloride		2.8	9.0	-
Dibromoacetic acid		0.6	<0.5	<0.5
Dibromochloromethane		2.4	1.9	0.8
Dichloroacetic acid		3.4	8.1	5.1
Dichloroacetonitrile		2.0	4.8	-
Haloacetic Acids (5)		7	20	10
Total Trihalomethanes	80	15	30	11
Trichloroacetic acid		3.1	11.2	4.9
Nonspecific Organics				
Total Organic Halogen (µg/L)		78	230	90

[1] TT indicates that the MCL involves treatment techniques.
[2] DS indicates that the MCL involves calculations based upon the entire distribution system.

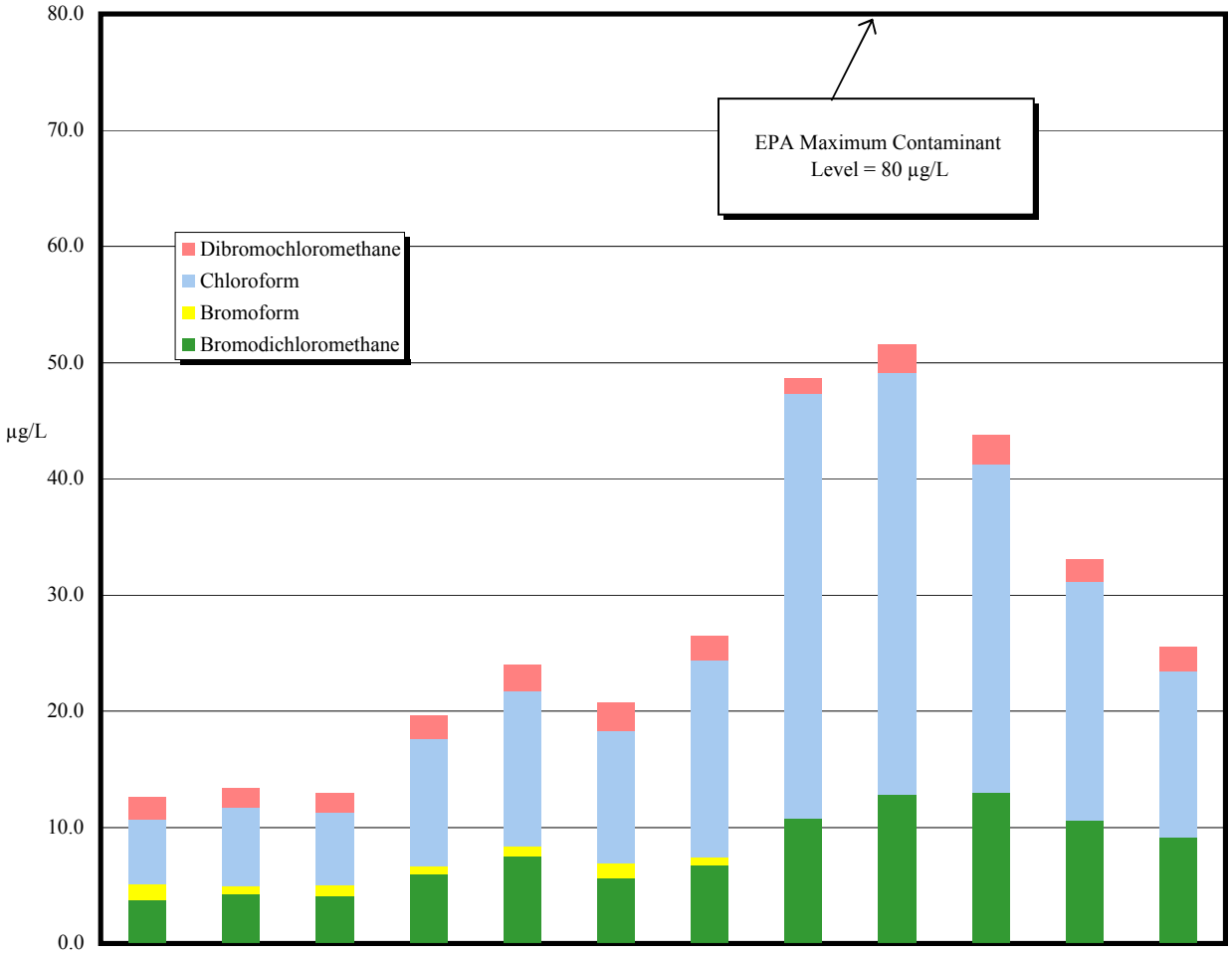
TREATED WATER QUALITY SUMMARY:
TREATMENT PLANT EFFLUENT AVERAGES – 2002

The following analyses were performed and each of these constituents was either not detected or the average result was less than the limit of detection. The Maximum Contaminant Level is listed after the analysis in parentheses, if applicable. The unit of measure is also listed if different than that listed for the subsection.

General
Chlorine, Free
Metals (mg/L)
Antimony (0.006)
Arsenic (0.05)
Beryllium (0.004)
Cadmium (0.005)
Chromium (0.1)
Cobalt
Iron
Lead (TT[1])
Lithium
Mercury, Total (0.002)
Nickel (0.1)
Selenium (0.05)
Silver
Thallium (0.002)
Titanium
Vanadium
Ions (mg/L)
Ammonia-Nitrogen
Bromide
Cyanide, Total (0.2)
Nitrite-Nitrogen (1)
Ortho Phosphorus, Dissolved
Perchlorate
Radiological (pCi/L)
Alpha, Total (15)
Plutonium 239 + 240
Radium-226, 228
Radon 222
Strontium 89 + 90
Microbiological
Cryptosporidium
Giardia (TT[1])
Plankton
Total Coliform (DS)
Volatile Organic Compounds (µg/L)
1,1,1,2-Tetrachloroethane
1,1,1-Trichloroethane (200)
1,1,2,2-Tetrachloroethane
1,1,2-Trichloroethane (5)
1,1-Dichloroethene (7)
1,1-Dichloropropene
1,2,3-Trichloropropane
1,2,4-Trichlorobenzene (70)
1,2,4-Trimethylbenzene
1,2-Dichloroethane (5)
1,2-Dichloropropane (5)
1,3,5-Trimethylbenzene
1,3-Dichloropropane
2,2-Dichloropropane
2-Butanone
4-Methyl-2-Pentanone
Benzene (5)
Bromobenzene
Bromochloromethane
Bromomethane
Chlorobenzene (100)
Chloroethane
Chloromethane
cis-1,2-Dichloroethene (70)
cis-1,3-Dichloropropene
Dibromomethane
Dichlorodifluoromethane
Dichloromethane (5)
Ethyl Benzene (700)
Hexachlorobutadiene
Isopropyl Benzene
m-Dichlorobenzene
Methyl tert-butylether
Naphthalene
n-Butyl Benzene
Nitrobenzene
n-Propyl Benzene
o-Chlorotoluene
o-Dichlorobenzene (600)
p-Chlorotoluene
p-Dichlorobenzene (78.5)
p-Isopropyl Toluene
sec-Butyl Benzene
Styrene (100)
tert-Butyl Benzene
Tetrachloroethene (5)
Toluene (1000)
trans-1,2-Dichloroethene (100)
trans-1,3-Dichloropropene
Trichloroethylene (5)
Trichlorofluoromethane
Vinyl Chloride (2)
Xylenes (10000)
Disinfection By-Products (µg/L)
Carbon tetrachloride (5)
Chlorodibromoacetic acid
Chloropicrin
Dibromoacetonitrile
Monobromoacetic Acid
Monochloroacetic Acid
N-nitrosodimethylamine
Trichloroacetonitrile
Pesticides (µg/L)
1,2-Dibromo-3-chloropropane (0.2)
2,4,5-T
2,4-D (70)
2,4-DB
3,5-Dichlorobenzoic acid
3-Hydroxycarbofuran
4,4'-DDD
4,4'-DDE
4,4'-DDT
α-BHC
Acetochlor
Acifluourfen
Alachlor (2)
Aldicarb
Aldicarb sulfoxide
Aldrin
Atrazine (3)
β-BHC
Bentazon
Bromacil
Butachlor
Carbaryl
Carbofuran (40)
Chlordane (2)
Chlorneb
Chlorobenzilate
Chlorothalonil
Dalapon (200)
δ-BHC
Diazinon
Dicamba
Dichlorprop
Dichlorvos
Dieldrin
Dimethoate
Dinoseb (7)
Diquat (100)
Disulfoton
Diuron
Dursban
Endothall (100)
Endrin (2)
Endrin Aldehyde
EPTC
Ethylene dibromide (0.05)
Fonofos
Glyphosate (700)
Heptachlor (0.4)
Heptachlor Epoxide (0.2)
Hexachlorocyclopentadiene (50)
Lindane (0.2)
Linuron
Malathion
Methiocarb
Methomyl
Methoxychlor (40)
Metolachlor
Metribuzin
Molinate
Oxamyl (200)
Paraquat
Parathion
Picloram (500)
Prometon
Prometryn
Propachlor
Propoxur
Silvex (50)
Simazine (4)
Terbacil
Terbufos
Thiobencarb
Total Dacthal Acid degradates
Toxaphene (3)
Trifluralin
Synthetic Organic Compounds (µg/L)
1,2-Diphenylhydrazine
2,4-Dichlorophenol
2,4-Dinitrophenol
2,4-Dinitrotoluene
2,4,6-Trichlorophenol
2,6-Dinitrotoluene
2-Methylphenol
Acenaphthylene
Anthracene
Benzo(a)anthracene
Benzo(a)pyrene (0.2)
Benzo(b)fluoranthene
Benzo(g,h,i)perylene
Benzo(k)fluoranthene
Bis(2-ethylhexyl)adipate (400)
Bis(2-ethylhexyl)phthalate
Butyl benzyl phthalate
Chrysene
Dibenzo(a,h)anthracene
Diethyl phthalate
Dimethyl phthalate
Di-n-butyl phthalate
Di-n-octyl phthalate
Fluoranthene
Fluorene
Hexachlorobenzene (1)
Indeno(1,2,3-cd)pyrene
Isophorone
Pentachlorobenzene
Pentachlorophenol (1)
Phenanthrene
Polychlorinated Biphenyls (0.5)
Pyrene

[1] TT indicates that the MCL involves treatment techniques.
[2] DS indicates that the MCL involves calculations based upon the entire distribution system.

DISTRIBUTION SYSTEM AVERAGE TRIHALOMETHANES - 2002



Trihalomethanes (THMs) are organic compounds formed when chlorine disinfectant is added to the water. The use of chlorine and other chlorine-based disinfectant compounds is mandated by health regulatory agencies to eliminate microbiological contaminants from drinking water. The creation of THMs is a consequence of this necessary practice. THMs are comprised of four individual compounds. EPA has established 80 µg/L as the MCL for Total Trihalomethanes (the sum of the four individual compounds). The amounts present in the Denver distribution system are consistently below the 80 µg/L level.

WATER QUALITY SAMPLE COLLECTION AND ANALYTICAL PROCEDURES - 2002

Samples Collected:	
Watershed	375
Treatment plant	1,424
Distribution system	7,369
Other	2,620
	11,788

Analyses Performed:	
Microbiological	9,284
Chemical	30,575
	39,859

Transmission

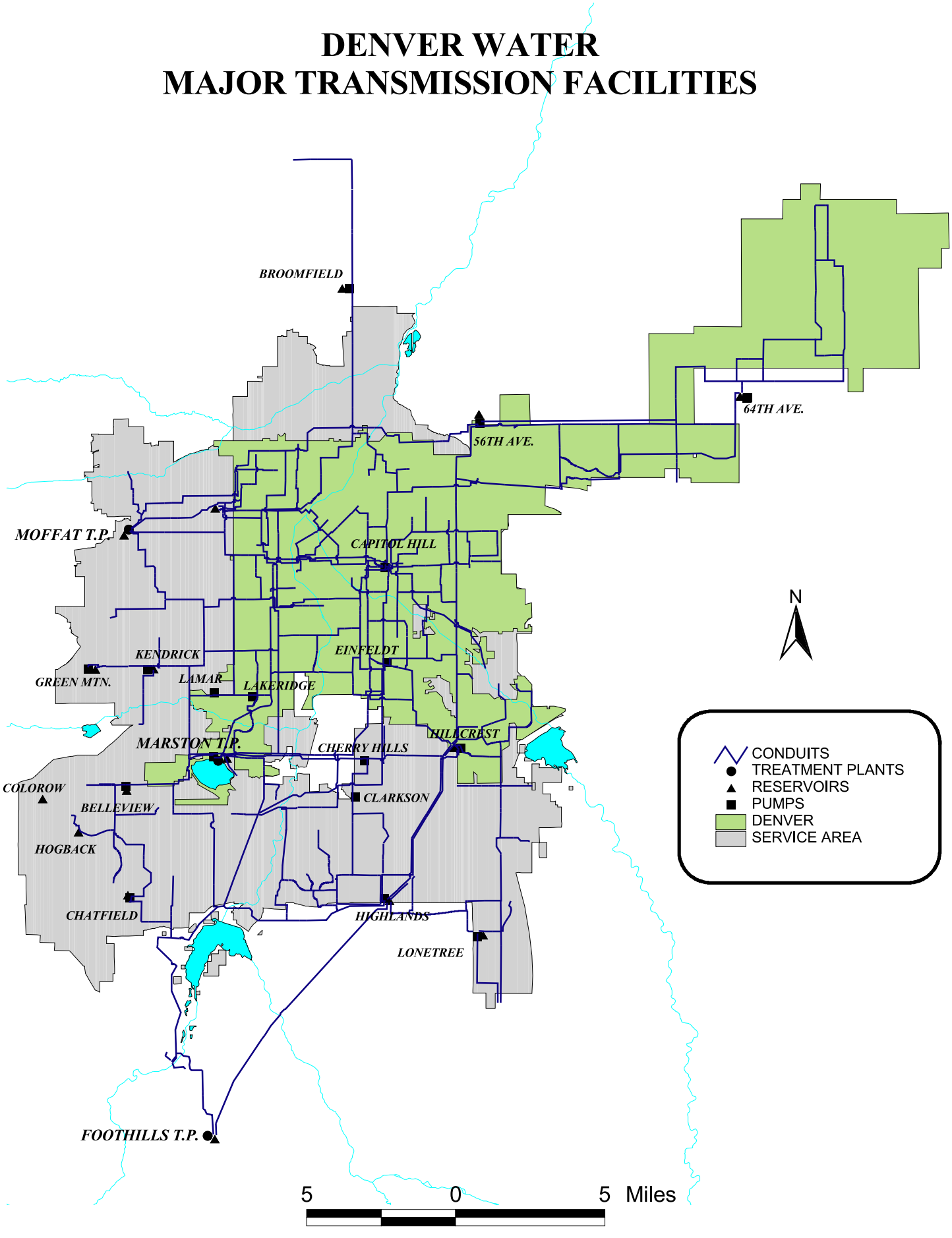
2002 Facts

Miles of pipe installed	49.5
Miles of pipe in system	2,552
Miles of nonpotable pipe in system	17.6
Number of valves operated and maintained	41,061
Number of nonpotable valves in system	147
Number of hydrants operated and maintained	14,380

Leak Detection Program:

Miles of pipe surveyed	443
Visible leaks pinpointed	325
Non-visible leaks detected	94

DENVER WATER
MAJOR TRANSMISSION FACILITIES



TRANSMISSION AND DISTRIBUTION MAINS - 2002

SUMMARY OF PIPE BY MATERIAL[1]

	Length in Feet				Length in Miles
Kind of Pipe	12-31-01	Additions	Reductions	12-31-02	12-31-02
Cast iron	6,065,841	-	(24,947)	6,040,894	1,144
Cement Asbestos	1,391,545	-	(361)	1,391,184	263
Cement Mortar coated steel	27,992	-	-	27,992	5
Concrete	861,942	-	(2,870)	859,072	163
Copper	1,141	-	-	1,141	-
Ductile iron	2,327,668	38,306	(1,937)	2,364,037	448
Galvanized	7,955	-	(200)	7,755	1
Polyvinyl chloride	1,101,868	210,585	(71)	1,312,382	249
Steel	1,009,781	12,525	-	1,022,306	194
Steel -tape coated	397,373	-	-	397,373	75
Unknown[2]	49,516	-	-	49,516	9
	13,242,622	261,416	(30,386)	13,473,652	2,552

SUMMARY OF PIPE BY DIAMETER[1]

	Length in Feet				Length in Miles
Diameter of Pipe in Inches	12-31-01	Additions	Reductions	12-31-02	12-31-02
0.75	413	-	-	413	-
1	778	-	-	778	-
1.5	2,019	-	-	2,019	-
2	3,128	-	-	3,128	1
3	8,779	-	(299)	8,480	2
4	134,675	2,260	(350)	136,585	26
5	11	-	-	11	-
6	4,195,675	22,278	(15,524)	4,202,429	796
8	3,170,540	129,848	(4,645)	3,295,743	624
10	135,554	60	(12)	135,602	26
12	2,536,214	83,834	(5,721)	2,614,327	495
14	44,289	4	-	44,293	8
15	4,499	-	-	4,499	1
16	411,344	7,726	-	419,070	79
18	49,850	4	-	49,854	9
20	113,646	2,877	-	116,523	22
24	448,310	-	(170)	448,140	85
30	422,520	8,135	(135)	430,520	82
31	29	-	-	29	-
33	185	-	-	185	-
36	498,979	1,635	(840)	499,774	95
40	57	-	-	57	-
42	226,372	5	-	226,377	43
45	4,638	-	-	4,638	1
46	23,272	-	-	23,272	4
48	133,575	140	(200)	133,515	25
51	6,514	-	-	6,514	1
54	172,084	-	-	172,084	33
57	12,858	-	-	12,858	2
60	175,692	270	(150)	175,812	33
63	16,779	-	-	16,779	3
66	80,502	20	(2,340)	78,182	15
67	692	-	-	692	-
72	106,202	2,320	-	108,522	21
84	16,656	-	-	16,656	3
90	32,635	-	-	32,635	6
96	50	-	-	50	-
108	48,687	-	-	48,687	9
120	3,102	-	-	3,102	1
144	818	-	-	818	-
	13,242,622	261,416	(30,386)	13,473,652	2,552

[1]Mains within the City and Total Service Contract Areas.

[2]Unknown pipe material is assumed to be cast iron.

VALVES - 2002

SUMMARY OF VALVES BY TYPE[1]

Type of Valve	12-31-01	Additions	Reductions	12-31-02
Air vacuum valve	1,269	12	(1)	1,280
Ball valve	7	-	-	7
Blowoff valve	2,568	12	(1)	2,579
Butterfly valve	901	28	(12)	917
Check valve	20	-	-	20
Cone valve	18	1	-	19
Gate valve	34,517	1,029	(204)	35,342
Hub valve	5	-	-	5
MacDougall blowoff valve	126	6	-	132
Pito (Corp stop)	585	-	-	585
Pressure regulating valve	155	4	-	159
Unknown	11	-	-	11
Vacuum valve	5	-	-	5
	40,187	1,092	(218)	41,061

SUMMARY OF VALVES BY DIAMETER[1]

Diameter of Valve	12-31-01	Additions	Reductions	12-31-02
1	914	-	-	914
2	2,078	12	-	2,090
2.5	1	-	-	1
3	71	-	-	71
4	1,117	30	(5)	1,142
6	14,017	127	(33)	14,111
8	11,148	570	(121)	11,597
10	455	-	-	455
12	8,842	323	(47)	9,118
14	64	1	-	65
15	2	-	-	2
16	268	9	-	277
18	45	-	-	45
20	173	10	-	183
24	500	3	(4)	499
30	183	3	(1)	185
36	148	-	-	148
42	56	-	-	56
48	56	1	(1)	56
54	20	-	-	20
60	25	3	(6)	22
72	4	-	-	4
	40,187	1,092	(218)	41,061

[1]Valves within the City and Total Service Contract Areas.

FIRE HYDRANTS - 2002

FIRE HYDRANTS[1]

Size in Inches	Total Hydrants 12-31-01	Additions	Reductions	12-31-02
4	17	-	-	17
6	14,156	253	(46)	14,363
	14,173	253	(46)	14,380

FIRE HYDRANT BRANCH PIPE[1]

Size in Inches	Kind of Pipe	Length in Feet 12-31-01	Additions	Reductions	12-31-02
4	Cast iron	304	-	-	304
4	Ductile iron	34	-	-	34
6	Cast iron	160,886	-	(765)	160,121
6	Cement asbestos	2,591	-	-	2,591
6	Ductile iron	123,112	9,066	(115)	132,063
6	Polyvinylchloride	943	-	-	943
6	Steel	19,088	-	-	19,088
6	Unknown	25,963	-	-	25,963
		332,921	9,066	(880)	341,107

SUMMARY OF FIRE HYDRANT BRANCH PIPE BY MATERIAL[1]

Kind of Pipe	Length in Feet 12-31-01	Additions	Reductions	12-31-02
Cast iron	161,190	-	(765)	160,425
Cement asbestos	2,591	-	-	2,591
Ductile iron	123,146	9,066	(115)	132,097
Polyvinylchloride	943	-	-	943
Steel	19,088	-	-	19,088
Unknown	25,963	-	-	25,963
	332,921	9,066	(880)	341,107

SUMMARY OF FIRE HYDRANT BRANCH PIPE BY DIAMETER[1]

Size in Inches	Length in Feet 12-31-01	Additions	Reductions	12-31-02
4	338	-	-	338
6	332,583	9,066	(880)	340,769
	332,921	9,066	(880)	341,107

[1]Fire hydrants and branch pipe within the City and Total Service Contract Areas.

NONPOTABLE MAINS AND VALVES - 2002

NONPOTABLE MAINS

Size	Kind of Pipe	Length in Feet 12-31-01	Additions	Reductions	12-31-02
4"	PVC	3,327	-	-	3,327
6"	PVC	2,216	-	-	2,216
8"	PVC	7,110	-	-	7,110
8"	Steel	61	-	-	61
10"	Steel	22	-	-	22
12"	Steel	10,307	-	-	10,307
12"	PVC	21,572	-	-	21,572
16"	PVC	19,928	-	-	19,928
20"	PVC	26,958	-	-	26,958
42"	Steel	-	1,180	-	1,180
	Totals	91,501	1,180	-	92,681

Summary:

Kind of Pipe	Length in Feet 12-31-01	Additions	Reductions	12-31-02
PVC	81,111	-	-	81,111
Steel	10,390	1,180	-	11,570
Totals	91,501	1,180	-	92,681

NONPOTABLE VALVES

Size	Type of Valve	12-31-01	Additions	Reductions	12-31-02
4"	Gate	14	-	-	14
6"	Gate	15	-	-	15
8"	Gate	24	-	-	24
10"	Gate	2	-	-	2
12"	Gate	66	-	-	66
20"	Gate	26	-	-	26
	Totals	147	-	-	147

Note: Dual distribution system mains and valves have been installed to deliver water for nonpotable uses at Denver International Airport. Nonpotable water will not be available in the dual distribution system prior to the construction of a nonpotable reuse plant in 2004.

BREAKS IN MAINS, WATER CONTROL AND LEAK DETECTION SERVICES - 2002

DENVER MAIN BREAKS

Size	Pipe Material	Number of Breaks
3"	Cast Iron	2
4"	Cast Iron	1
4"	Ductile Iron	2
6"	Cast Iron	164
6"	Cement Asbestos	8
6"	Ductile Iron	6
6"	PVC	1
8"	Cast Iron	55
8"	Ductile Iron	5
8"	Cement Asbestos	1
10"	Cast Iron	1
12"	Cast Iron	28
12"	Ductile Iron	3
12"	Cement Asbestos	1
12"	PVC	1
14"	Cast Iron	1
16"	Cast Iron	1
30"	Cast Iron	1
36"	Cast Iron	3
60"	Concrete	2
	Total	287

TOTAL SERVICE MAIN BREAKS

Size	Pipe Material	Number of Breaks
4"	Cast Iron	3
6"	Ductile Iron	3
6"	Cast Iron	49
6"	Cement Asbestos	6
8"	Cement Asbestos	5
8"	Cast Iron	9
10"	Cast Iron	1
12"	Ductile Iron	4
12"	Cast Iron	4
		84

WATER CONTROL SERVICES

	2002	2001	2000	1999	1998
Service Calls	2,793	2,916	3,097	2,153	2,571
Service Leaks	1,034	794	907	663	779
Service Turn Ons	3,570	2,507	2,467	2,140	2,064
Service Turn Offs	893	828	806	687	730
Valve Leaks	100	78	135	107	55
Fire Hydrants Hit	133	146	112	132	141
Fire Hydrants Packed and Greased	24,778	28,362	22,637	23,973	25,923
Fire Hydrants Excavated for Replacement	174	238	197	142	160
Fire Hydrants, Miscellaneous Repairs	962	858	929	805	926
Total Fire Hydrants Tested and Repaired	26,047	29,604	23,875	25,052	27,150

LEAK DETECTION PROGRAM

	2002	2001	2000	1999	1998
Non-Visible Leaks Detected	94	111	125	115	84
Non-Visible Water Leaks Loss (1000's of Gallons)[1]	106,038	145,854	163,800	151,225	110,800
Visible Leaks Pinpointed	325	120	154	224	173
Savings Generated from Leak Detection Program[1]	$195,000	$72,000	$107,800	$134,400	$103,800
Miles Surveyed	443	554	846	862	1,038

[1]Estimated.

Financial

25 LARGEST CUSTOMERS - WATER CONSUMPTION AND REVENUE - 2002 (NON-ACCRUAL BASIS)[1]

Account Type	Consumption (000 Gallons)	Water Revenue
Multi-location petroleum retailer	474,354	$ 853,930
School System	343,247	524,487
Public Utility	336,075	574,748
Housing Authority	283,110	424,229
Public Recreation Agency	186,954	379,701
Federal Government	183,402	337,284
Beverage Company	154,760	226,366
Manufacturer	152,819	281,176
Medical Center	150,143	239,598
Retail Grocer	140,269	214,272
Medical Center	124,423	189,119
Homeowners Association	118,570	181,625
School System	115,538	175,229
Manufacturer	111,888	157,703
Property Management	110,361	167,071
Food Company	100,067	145,134
Hotel Chain	97,216	144,805
Public Utility	94,494	176,404
Homeowners Association	93,225	177,824
Manufacturer	92,542	136,343
Medical Center	87,553	130,744
Beverage Company	85,223	124,894
Homeowners Association	80,087	120,003
Homeowners Association	75,996	167,307
Homeowners Association	75,424	110,635
Total - 25 Largest Customers	3,867,740	$ 6,360,630
Total Sales of Treated Water	72,354,662	$ 136,056,292
Percent of 25 Largest Customers to Total Sales of Treated Water	5.35%	4.67%

[1]This schedule represents actual billings made for water during the year. The difference from amounts on an accrual basis is immaterial. In addition to the accounts listed, Denver Water provided 2,455,093 (000 gallons) of treated water to the City and County of Denver. Revenues from these sales were $2,531,681.

ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT - 2002
(amounts expressed in thousands)

NEW FACILITIES

SOURCE OF SUPPLY		
Water Rights	$ 3,033	
Antero	1,963	
South Platte Downstream Storage-Gravel Pits	524	
South Platte	543	
Gross Reservoir Improvements	767	
Moffat	153	
Winter Park	1,922	
Williams Fork	193	
Eleven Mile	38	
Conduit 22	485	
Other Miscellaneous	14	
Total Source of Supply		9,635
PUMPING PLANT AND CLEAR WATER STORAGE		
Belleview -Pump Station	339	
Capital Hill - Pump Station	491	
Kassler	382	
Einfeldt	128	
Green Mountain	38	
Other Miscellaneous	26	
Total Pumping Plant and Clear Water Storage		1,404
WATER TREATMENT		
Recycled Water Project	32,738	
Marston Treatment Plant Improvements	21,756	
Foothills Treatment Plant Improvements	6,003	
Total Water Treatment		60,497
TRANSMISSION AND DISTRIBUTION		
Denver International Airport Mains and Hydrants	191	
Automated Meter Reading Program	11,265	
Conduit 94	563	
Conduit 138	42	
Conduit 151	456	
Distribution Mains & Hydrants	5,306	
Recycled Water Conduits	1,645	
Other Miscellaneous	169	
Total Transmission and Distribution		19,637
NON-UTILITY		
City Ditch & Highline	580	
Total Non-Utility		580
GENERAL PLANT		
Remodel Building No. 3	150	
Total General Plant		150
TOTAL NEW FACILITIES		$ 91,903

(Continued next page)

ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT - 2002 (Continued)
(amounts expressed in thousands)

FACILITY REPLACEMENTS AND IMPROVEMENTS		
SOURCE OF SUPPLY		
Antero Reservoir	$ 357	
Cheesman Reservoir	50	
Conduit 16 & 20	128	
Dillon Reservoir	2,524	
Grant Headquarters	46	
Marston Reservoir	407	
Moffat Tunnel	127	
Platte Canyon Reservoir	70	
Ralston Reservoir	92	
Strontia Springs	343	
Williams Fork	1,889	
Other Miscellaneous	99	
Total Source of Supply		6,132
PUMPING PLANT AND CLEAR WATER STORAGE		
Belleview	146	
Broomfield	41	
Einfeldt	901	
Hillcrest	182	
Lone Tree	60	
Marston N. Side	89	
Other Miscellaneous	98	
Total Pumping Plant and Clear Water Storage		1,517
WATER TREATMENT		
Foothills Plant General Replacements	1,014	
Marston Plant General Replacements	182	
Moffat Plant General Replacements	562	
Total Water Treatment		1,758
TRANSMISSION AND DISTRIBUTION		
Ashland	120	
Mains - Replace, Extend, and Relocate	11,196	
Fire Hydrants - Replacements	986	
Meter Replacements	546	
Conduit 12	125	
Conduit 58	147	
Conduit 93	94	
Conduit 153	1,642	
Other Conduits	330	
Wynetka Decentralization	1,901	
Other Miscellaneous	140	
Total Transmission and Distribution		17,107
GENERAL PLANT		
Westside Yard Improvements	1,901	
Other Miscellaneous	88	
Total General Plant		1,989
TOTAL FACILITY REPLACEMENTS AND IMPROVEMENTS		28,503
GENERAL EQUIPMENT ADDITIONS, REPLACEMENTS, AND IMPROVEMENTS		
Motor Vehicles and Heavy Equipment	2,614	
Computer Equipment	1,884	
Capitalized Software	3,575	
TOTAL GENERAL EQUIPMENT		8,073
TOTAL PROPERTY, PLANT & EQUIPMENT ADDITIONS		$ 128,479

WATER RATE SCHEDULES - 2002

	Rate Per 1,000 Gallons		
	City of Denver Schedule 1	Outside City Total Service Schedule 2	Outside City Read and Bill Schedule 3
	(Effective for bills dated on or after Jan. 1, 2002)		
CONSUMPTION CHARGE (Bimonthly)			
Residential Customers:			
First 22,000 Gallons	$ 1.53	$ 2.33	$ 1.90
Next 38,000 Gallons	1.84	2.80	2.28
All Over	2.30	3.50	2.85
Small Multi-Family:			
(Duplexes through five-plexes with a single meter)			
First 30,000 gallons[1]	1.34	2.06	1.77
Over 30,000 gallons	1.61	2.47	2.12
All Other Retail Customers:			
Winter	1.32	1.89	1.65
Summer	1.58	2.27	1.98
SERVICE CHARGE			
Monthly	$ 3.09	$ 3.09	$ 3.09
Bimonthly	4.43	4.43	4.43
PRIVATE FIRE PROTECTION SERVICE CHARGES (Bimonthly)			
Fire Hydrants	$ 27.43	$ 15.03	$ 11.25
Sprinkler Systems and Standpipes:			
(Size of Connection)			
1"	7.45	4.08	3.06
2"	12.42	6.81	5.10
4"	19.20	10.52	7.88
6"	27.43	15.03	11.25
8"	48.00	26.30	19.69
10"	68.57	37.57	28.13
12"	109.71	60.11	45.01
16"	274.28	150.28	112.52

OUTSIDE CITY WHOLESALE RATE - Schedule 4	Rate per 1,000 gallons
Consumption Charge - all consumption	$ 1.83
Master Meter Maintenance	2.47
Service Charge - Not applicable for this rate schedule	

Applicability

Schedule 1: All licensees with metered service having the right to take and use water inside the territorial limits of City and County of Denver.

Schedule 2: All licensees outside the territorial limits of the City and County of Denver who receive water service from Board of Water Commissioners under agreements whereby the Board operates and maintains all of the systems used to supply the licensee in a manner to provide complete and total service similar to that furnished inside Denver.

Schedule 3: All licensees outside the territorial limits of the City and County of Denver who receive water service from Board of Water Commissioners under agreements whereby the licensee in some manner operates and maintains portions of the system used to supply the licensee and the Board is responsible for billing each licensee on an individual basis.

Schedule 4: Municipalities, quasi-municipal districts and water companies outside the territorial limits of the City and Cou of Denver who receive water service from the Board of Water Commissioners under agreements whereby the municipalities, quasi-municipalities, and water companies operate and maintain water distribution systems to supply individual licensees. The Board bills only the distributor for water delivered through large "Master Meters" and the distributor establishes the rates for and bills the individual licensees.

[1]Bimonthly usage amounts increase by 12,000 gallons per additional dwelling unit up to 5 dwelling uni

(Continued next page)

	Raw Water Service	
	Denver	Outside City
RAW WATER SERVICE RATE - Schedule 5		
Consumption Charge per 1,000 gallons - all consumption	$ 0.47	$ 0.49
Consumption Charge per Acre Foot - all consumption	153.15	159.67
Service Charge - Not applicable for this rate schedule		

SYSTEM DEVELOPMENT CHARGES (Effective September 19, 2000)

	Treated Water Service	
Single Family Residential Taps[1]	Denver	Outside City
Base charge per residence	$ 1,070	$ 1,500
Charge per square foot of gross lot size	$ 0.26	$ 0.37
Multifamily Residential Taps[2]		
Base charge for duplex or first two household units (Served through a single tap)	$ 4,290	$ 6,000
Charge for each additional household unit above two units (Served through a single tap)	$ 870	$ 1,225

All Other Taps[3]	Treated Water Service		Raw Water Service	
Connection Size	Denver	Outside City	Denver	Outside City
3/4"	$ 3,150	$ 4,400	$ 1,725	$ 2,400
1"	9,450	13,200	5,175	7,200
1-1/2"	18,900	26,400	13,800	19,200
2"	28,350	39,600	22,425	31,200
3"	69,300	96,800	37,950	52,800
4"	122,850	171,600	56,925	79,200
6"	214,200	299,200	117,300	163,200
8"	283,500	396,000	151,800	211,200
10"	362,250	506,000	194,925	271,200
12"	441,000	616,000	277,725	386,400

	Treated Water Service		Raw Water Service	
Acre Foot Conversion ($/AF)	Denver	Outside City	Denver	Outside City
Inside Combined Service Area	$ 6,850	$ 9,565	$ 3,725	$ 5,200
Outside Combined Service Area		9,900		5,200

Applicability

[1]Licenses for 3/4 inch single family residential taps within the City and County of Denver and Denver Water Service Areas, including applicable special contracts.

[2]Licenses for multifamily residential taps within the City and County of Denver and Denver Water Service Areas, including applicable special contracts.

[3]Licenses for all other taps within the City and County of Denver and Denver Water Service Areas, including applicable special contracts.

The System Development Charge applies to any applicant for a license to take water through the Denver system or a system deriving its supply from Denver. This charge is assessed upon application for a new tap and is due and payable prior to the issuance of a license to the customer.

SURCHARGE SCHEDULE[1,2]
(Effective for bills dated on or after November 1, 2002)

Residential Customers:	Surcharge per 1,000 gallons
0-7,000 Gallons	No Surcharge
8,000-22,000 Gallons	$ 0.25
23,000-60,000 Gallons	0.50
Over 60,000 Gallons	0.75

Small Multi-Family:	Threshold Amounts (Thousands of Gallons)			
	Duplex	3-Plex	4-Plex	5-Plex
No surcharge	0-12	0-17	0-22	0-27
$0.25	13-30	18-42	23-54	28-66
$0.50	31-80	43-103	55-136	67-200
$0.75	Over 80	Over 103	Over 136	Over 200

All Other Retail Customers[3]:	
70% of 2001 Consumption	No Surcharge
71-100% of 2001 Cons.	$ 0.50
Over 100% of 2001 Cons.	0.75

Outside City Wholesale:	
70% of 2001 Consumption	No Surcharge
Over 100% of 2001 Cons.	$ 0.50

Non Potable Customers:	
70% of 2001 Consumption	No Surcharge
Over 100% of 2001 Cons.	$ 0.15

Irrigation Only:	Surcharge per 1,000 gallons
All Consumption	$0.75

New Taps
A surcharge of 20% of the System Development Charge will be added to new taps fees.

[1]Surcharges remain effective until Denver Water's combined reservoir capacity reaches 80% full. Surcharges are subject to change based on seasonality or drought conditions.

[2]Surcharges are in addition to consumption charges.

[3]The "All Other" class includes: Commercial, Industrial, Government, and Multifamily buildings over 5 units.

CUSTOMER SERVICE DATA: 1993 - 2002

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Active Taps:[1]										
Beginning of Year	**286,051**	282,985	278,374	274,938	271,338	268,676	265,820 [5]	268,506	265,233	262,184
Activated During Year[7]	**10,053**	3,273	4,871	3,732	3,919	2,825	3,013	3,807	3,449	3,254
Discontinued During Yea	**(263)**	(207)	(260)	(296)	(319)	(163)	(157)	(314)	(176)	(205)
Net Increase During Year[7]	**9,790**	3,066	4,611	3,436	3,600	2,662	2,856	3,493	3,273	3,049
Total Active Taps - End of Yea	**295,841**	286,051	282,985	278,374	274,938	271,338	268,676	271,999	268,506	265,233
Services Behind Master Meters[7]	**74,535**	66,997	66,135	64,655	64,225	63,449	62,713 [5]	68,066	66,132	65,048
Active Meters (excludes customers Behind Master Meters)[1]										
Inside City	**150,486**	148,936	147,472	145,466	143,602	142,169 [4]	141,248	140,497	140,028	139,185
Read and Bill	**34,425**	36,955	36,760	36,114	35,379	34,638	33,791	32,827	32,142	31,030
Total Service	**35,209**	31,974	31,442	30,965	30,575	29,892	29,425	29,090	28,756	28,289
City and County	**1,065**	1,071	1,058	1,055	1,019	1,018	1,020	1,023	1,072	979
Monthly	**121**	118	118	119	138	172	479	496	376	702
Total Active Meters	**221,306**	219,054	216,850	213,719	210,713	207,889	205,963	203,933	202,374	200,185
Total Active Taps - End of Yea	**295,841**	286,051	282,985	278,374	274,938	271,338	268,676	271,999	268,506	265,233
Stub-Ins on System[2]	**2,553**	2,992	2,389	3,086	3,483	1,895	2,422	2,215	2,825	2,120
Fire Hydrant Use Permits	**830**	456	680	1,132	1,185	999	918	849	930	721
AMR (Automatic Meter Reading) Installation	**56,499**	30,359	298	-	-	-	-	-	-	-
Turn-Offs Due to Delinquent Account	**11,586**	10,293	9,045	7,920	7,992	8,650	9,317	9,329	5,907	6,218
In-Home Water Audits	**60**	98	1,155	1,092	1,751	1,637	1,343	1,403	1,501	2,147
Call Center Calls	**281,339**	193,395	173,016	169,399	140,284	143,955	160,808	150,800	169,115	161,005
Water Quality Calls[3]										
Taste and Odor	**125**	78	220	148	530	91	-	-	-	-
Clarity	**15**	75	75	189	278	197	-	-	-	-
Hardness	**1**	-	1	69	70	68	-	-	-	-
Other	**135**	80	9	485	644	1,361	-	-	-	-
New Taps Made[6]	**3,572**	3,869	3,834	4,498	5,838	3,273	3,178	1,683	-	-

[1]Service is on or has not been off for 5 consecutive years. Does not include taps sold to raw water distributors.

[2]Stub-Ins are a connection made solely to extend the service line from the main to the valve at the property line prior to the paving of the street and are not considered a tap.

[3]Customer Service started taking Water Quality Calls in 1996. Information prior to 1996 unavailable.

[4]Beginning in 1997, large meters for wholesale distributors excluded from count, consistent with "Analysis of Customer Accounts for Treated Water."

[5]Broomfield Taps (6,179), removed from Master Meter counts in 1996.

[6]Customer Service Field took over the duties of the Tapping Shop (Meter Shop) in 1995. Information prior to 1995 unavailable.

[7]Increase of 6,820 taps for Master Meter accounts within Willows Water District in 2002.

ANALYSIS OF CUSTOMER ACCOUNTS FOR TREATED WATER - 2002[1]

		Total Accounts			On Accounts	
		12-31-02	12-31-01	Increase (Decrease)	12-31-02	12-31-01
METERED GENERAL CUSTOMERS						
Residential -	Denver	125,875	124,573	1,302	124,747	123,662
	Outside City	31,519	33,675	(2,156)	31,461	33,624
	Total Service	31,626	28,880	2,746	31,535	28,793
Small multi-family -	Denver	8,516	8,415	101	8,421	8,340
	Outside City	344	333	11	342	333
	Total Service	487	466	21	485	466
Commercial -	Denver	15,504	15,386	118	14,775	14,654
	Outside City	2,488	2,875	(387)	2,460	2,839
	Total Service	2,956	2,492	464	2,903	2,440
Industrial -	Denver	271	276	(5)	236	240
	Outside City	7	7	0	7	7
	Total Service	10	10	0	10	10
TOTAL METERED GENERAL CUSTOMERS		219,603	217,388	2,215	217,382	215,408
PUBLIC AUTHORITIES						
City & County of Denver		1,209	1,196	13	1,059	1,051
Other County Agencies -	Denver	183	164	19	177	160
	Outside City	55	53	2	54	52
	Total Service	121	116	5	116	111
State Agencies -	Denver	65	67	(2)	61	62
	Outside City	2	2	0	2	2
	Total Service	7	8	(1)	3	4
Federal Agencies -	Denver	49	48	1	35	35
	Outside City	10	10	0	9	9
	Total Service	2	2	0	2	2
TOTAL PUBLIC AUTHORITIES		1,703	1,666	37	1,518	1,488
RESALE ACCOUNTS (MASTER METER)[2]		74,535	66,997	7,538	74,535	66,997
TOTAL TREATED WATER CUSTOMERS		295,841	286,051	9,790	293,435	283,893

[1] Represents number of metered services at year-end. For average number of customers billed during the calendar year, see "Operating Revenue and Related Water Consumption."

[2] See "Analysis of Sales of Treated Water for Resale."

OPERATING REVENUE AND RELATED WATER CONSUMPTION - 2002
(NON-ACCRUAL BASIS)[1]

		Revenue	Consumption (000 Gallons)	Average Number of Customers	Revenue Per 1,000 Gallons
I. SALES OF TREATED WATER					
A. METERED GENERAL CUSTOMERS					
Residential -	Denver	$29,478,121	15,773,236	124,009	$ 1.8689
	Outside City	12,489,117	5,487,851	32,444	2.2758
	Total Service	15,849,049	5,650,228	30,179	2.8050
Small multi-family-	Denver	2,683,574	1,746,857	8,369	1.5362
	Outside City	187,282	94,439	339	1.9831
	Total Service	285,525	124,842	472	2.2871
Commercial -	Denver	21,156,722	13,949,046	14,698	1.5167
	Outside City	5,594,571	2,959,557	2,644	1.8903
	Total Service	5,394,223	2,440,232	2,673	2.2105
Industrial -	Denver	1,619,658	1,114,419	235	1.4534
	Outside City	1,500,419	824,185	8	1.8205
	Total Service	140,386	65,470	10	2.1443
		96,378,647	50,230,362	216,080	1.9187
B. PRIVATE FIRE PROTECTION SERVICE					
Sprinklers -	Denver	596,359	-[2]		
	Outside City	36,580	-[2]		
	Total Service	38,758	-[2]		
		671,697	-[2]		
C. OTHER SALES TO PUBLIC AUTHORITIES					
City & County of Denver		2,820,502	2,562,216	1,058	1.1008
Other County Agencies -	Denver	642,378	426,231	170	1.5071
	Outside City	329,215	175,282	52	1.8782
	Total Service	642,713	305,034	114	2.1070
State Agencies -	Denver	347,615	234,996	61	1.4792
	Outside City	6,904	3,591	2	1.9226
	Total Service	3,649	1,677	3	2.1759
Federal Agencies -	Denver	281,492	177,498	24	1.5859
	Outside City at Denver Rates	11,090	6,842	1	1.6209
	Outside City	321,690	172,075	6	1.8695
	Total Service	1,148	517	2	2.2205
		$ 5,408,396	4,065,959	1,493	$ 1.3302

[1] This schedule represents actual billings made for water during the year. No accruals were made for revenue earned on unbilled metered accounts. Therefore, amounts on this schedule do not agree with amounts on the Statement of Revenues, Expenses and Changes in Retained Earnings. The difference from amounts on an accrual basis is immaterial.

[2] Consumption is considered as part of unaccounted-for treated water. See "Analysis of Sales of Treated Water between Denver and Outside City" for this estimate.

(Continued next page)

OPERATING REVENUE AND RELATED WATER CONSUMPTION (Continued) - 2002
(NON-ACCRUAL BASIS)

	Revenue	Consumption (000 Gallons)	Average Number of Customers	Revenue Per 1,000 Gallons
I. SALES OF TREATED WATER (Continued)				
D. SALES OF TREATED WATER FOR RESALE[1]	$ 32,718,696	17,923,961	74,535	$ 1.8254
II. HYDRANT & CONSTRUCTION WATER FEES	878,856	134,380	-	6.5401
TOTAL SALES OF TREATED WATER[2]	136,056,292	72,354,662	292,108	1.8804
III. SALES OF NON-POTABLE WATER[3]	5,921,473	12,074,073	33	0.4904
TOTAL SALES OF WATER	141,977,765	84,428,735	292,141	$ 1.6816
IV. OTHER NON-POTABLE WATER DELIVERIES[3]		1,159,454		
TOTAL CONSUMPTION		85,588,189		
V. OTHER OPERATING REVENUE				
A. POWER SALES REVENUE				
Foothills Treatment Plant	-			
Strontia Springs	66,007			
Dillon Dam	133,091			
Roberts Tunnel	219,986			
Hillcrest	-			
Williams Fork	250,269			
	669,353			
B. SPECIAL ASSESSMENTS				
Drought Surcharges	2,231,991			
Late Payment Penalties	1,585,622			
Conservation Penalties	147,200			
Field Collection Charges	969,590			
Turnoff - Turn on Charges	367,197			
	5,301,600			
TOTAL OTHER OPERATING REVENUE	5,970,953			
TOTAL OPERATING REVENUE	$147,948,718			

[1]See "Analysis of Sales of Treated Water for Resale."

[2]See "Analysis of Sales of Treated Water Between Denver and Outside City."

[3]See "Analysis of Sales of Non-Potable Water Between Denver and Outside City."

ANALYSIS OF SALES OF TREATED WATER BETWEEN DENVER AND OUTSIDE CITY - 2002 (NON-ACCRUAL BASIS)[1]

	Revenue		Consumption		Average
	Amount	Percent of Total	Amount (000 Gallons)	Percent of Total	Number of Customers
I. DENVER					
A. METERED GENERAL CUSTOMERS					
Residential	$29,478,121	21.67%	15,773,236	21.80%	124,009
Small multi-family	2,683,574	1.97%	1,746,857	2.41%	8,369
Commercial	21,156,722	15.55%	13,949,046	19.28%	14,698
Industrial	1,619,658	1.19%	1,114,419	1.54%	235
	54,938,075	40.38%	32,583,558	45.03%	147,311
B. PRIVATE FIRE PROTECTION SERVICE					
Sprinklers	596,359	0.44%	- [2]		
C. OTHER SALES TO PUBLIC AUTHORITIES					
City And County of Denver	2,820,502	2.07%	2,562,216	3.54%	1,058
Other County Agencies	642,378	0.47%	426,231	0.59%	170
State Agencies	347,615	0.26%	234,996	0.32%	61
Federal Agencies	281,492	0.21%	177,498	0.25%	24
	4,091,987	3.01%	3,400,941	4.70%	1,313
TOTAL SALES OF TREATED WATER - DENVER	59,626,421	43.83%	35,984,499	49.73%	148,624
Revenue per 1,000 Gallons - Denver			$1.6570		
II. OUTSIDE CITY					
A. METERED GENERAL CUSTOMERS					
Residential	12,489,117	9.18%	5,487,851	7.58%	32,444
Small multi-family	187,282	0.14%	94,439	0.13%	339
Commercial	5,594,571	4.11%	2,959,557	4.09%	2,644
Industrial	1,500,419	1.10%	824,185	1.14%	8
Residential - Total Service	15,849,049	11.65%	5,650,228	7.81%	30,179
Small multi-family - Total Service	285,525	0.21%	124,842	0.17%	472
Commercial - Total Service	5,394,223	3.96%	2,440,232	3.37%	2,673
Industrial - Total Service	140,386	0.10%	65,470	0.09%	10
	$41,440,572	30.45%	17,646,804	24.38%	68,769

[1]This schedule represents actual billings made for water during the year. No accruals were made for revenue earned on unbilled accounts. Therefore, amounts on this schedule do not agree with amounts on the Statement of Revenues, Expenses, and Changes in Retained Earnings. The difference from amounts on an accrual basis is immaterial.

[2]Consumption is considered as part of unaccounted-for treated water.

(Continued next page)

ANALYSIS OF SALES OF TREATED WATER BETWEEN DENVER AND OUTSIDE CITY - 2002 (NON-ACCRUAL BASIS) (Continued)

	Revenue		Consumption		Average
	Amount	Percent of Total	Amount (000 Gallons)	Percent of Total	Number of Customers
II. OUTSIDE CITY (Continued)					
B. PRIVATE FIRE PROTECTION SERVICE					
Sprinklers	$ 36,580	0.03%	- [1]		
Sprinklers - Total Service	38,758	0.02%	- [1]		
	75,338	0.05%	- [1]		
C. OTHER SALES TO PUBLIC AUTHORITIES					
County Agencies	329,215	0.24%	175,282	0.24%	52
State Agencies	6,904	0.01%	3,591	0.00%	2
Federal Agencies	321,690	0.24%	172,075	0.24%	6
Federal Agencies at Denver Rates	11,090	0.01%	6,842	0.01%	1
County Agencies - Total Service	642,713	0.47%	305,034	0.42%	114
State Agencies - Total Service	3,649	0.00%	1,677	0.00%	3
Federal Agencies - Total Service	1,148	0.00%	517	0.00%	2
	1,316,409	0.97%	665,018	0.91%	180
D. SALES OF TREATED WATER FOR RESALE [2]	32,718,696	24.05%	17,923,961	24.76%	74,535
TOTAL SALES OF TREATED WATER - OUTSIDE CITY	75,551,015	55.52%	36,235,783	50.08%	143,484
Revenue per 1,000 Gallons - Outside City			$2.0850		
III. HYDRANT & CONSTRUCTION WATER FEES	878,856	0.65%	134,380	0.19%	-
TOTAL SALES OF TREATED WATER	$ 136,056,292	100.00%	72,354,662	100.00%	292,108
Revenue per 1,000 Gallons - Total			$1.8804		
UNACCOUNTED FOR WATER					
Total Treated Water Delivered			75,221,180		
Water Purchased			-		
Total Treated Water Available (Consumption)			75,221,180	100.00%	
Less Sales of Treated Water			72,354,662	(96.19%)	
Less Load Shifted Treated Water			260,567	(0.35%)	
Unaccounted for [3]			2,605,951	3.46%	

[1] Consumption is considered as part of unaccounted-for treated water.
[2] See "Analysis of Sales of Treated Water For Resale."
[3] Includes meter slippage, main and service line leakage, public and private fire protection, and other system losses.

ANALYSIS OF SALES OF TREATED WATER FOR RESALE - 2002
(NON-ACCRUAL BASIS)[1]

Treated Water Sold Outside Denver to Municipalities and Distributors through Master Meters[2]

	Revenue	Consumption (000 Gallons)	Estimated Number of Taps[3]
Alameda Water & Sanitation District	$ 179,615	98,150	354
Bancroft-Clover Water & Sanitation District	3,244,071	1,772,661	8,384
Bonvue Water & Sanitation District	41,013	22,413	166
Bow-Mar Water & Sanitation District	186,347	101,829	282
Cherry Creek Valley Water & Sanitation District	1,444,940	789,552	1,667
Cherry Creek Village Water & Sanitation District	295,955	161,727	471
Consolidated Mutual Water Company	5,736,678	3,204,312	14,697
Crestview Water & Sanitation District	1,491,726	777,478	4,465
City of Edgewater	387,684	211,849	1,479
City of Glendale	585,256	319,812	270
Green Mountain Water & Sanitation District	3,749,767	2,046,416	9,929
High View Water District	335,223	183,182	863
Ken-Caryl Water & Sanitation District	1,536,658	839,702	3,625
Lakehurst Water & Sanitation District	1,865,850	1,019,974	5,055
City of Lakewood	528,105	288,582	878
Meadowbrook Water & Sanitation District	380,430	207,885	1,195
North Pecos Water & Sanitation District	292,659	159,922	389
North Washington Street Water & Sanitation District	1,927,651	1,053,211	3,526
Northgate Water District	15,123	8,264	2
South Adams County Water & Sanitation District	198,374	108,401	158
Valley Water District	956,533	522,691	1,475
Wheat Ridge Water District	1,874,160	1,039,675	5,507
Willowbrook Water & Sanitation District	963,535	526,522	2,878
Willows Water District	1,539,606	841,315	6,820
Total Sales for Master Meter Distributors	29,756,959	16,305,525	74,535
City of Aurora	87,975	48,074	
City and County of Broomfield	2,090,738	1,142,480	
Chatfield South Water District	18,657	10,295	
Inverness Water District	12,127	6,527	
South Adams County Special Contract Area	752,240	411,060	
Total Sales for Other Contracts at Wholesale Rates	2,961,737	1,618,436	
Total Sales of Treated Water for Resale	$ 32,718,696	17,923,961	74,535

[1]This schedule represents actual billings made for water during the year. The difference from amounts on an accrual basis is immaterial.
[2]Sales on Total Service or Read and Bill Contracts are not included.
[3]Estimated number of taps served behind Master Meters is based on survey analysis.

ANALYSIS OF SALES OF NON-POTABLE WATER BETWEEN DENVER AND OUTSIDE CITY - 2002
(NON-ACCRUAL BASIS)[1]

	Revenue		Consumption			Revenue
	Amount	Percent of Total	Amount (000 Gallons)	Percent of Total	Number of Customers[3]	Per 1,000 Gallons
DENVER						
Raw Water Sales						
City & County of Denver Agencies	$ 52,305	0.88%	307,683	2.55%	3	$ 0.1700
Xcel Energy	359,903	6.08%	765,756	6.34%	1	0.4700
All Other	8,584	0.14%	26,756	0.22%	2	0.3208
	420,792	7.10%	1,100,195	9.11%	6	0.3825
Effluent Sales						
All Other	-	0.00%	-	0.00%	-	-
Total Denver	420,792	7.10%	1,100,195	9.11%	6	0.3825
OUTSIDE CITY, WITHIN COMBINED SERVICE AREA						
Raw Water Sales						
All Other	22,310	0.38%	72,968	0.60%	3	0.3058
Minimum Contract Payments[2]						
All Other	11,975	0.20%	-	-	-	-
Total Outside City, Within Combined Service Area	34,285	0.58%	72,968	0.60%	3	0.4699
OUTSIDE COMBINED SERVICE AREA						
Raw Water for Resale						
City of Arvada	2,740,322	46.28%	5,489,340	45.46%	1	0.4992
North Table Mountain	347,797	5.87%	709,790	5.88%	1	0.4900
	3,088,119	52.15%	6,199,130	51.34%	2	0.4982
Raw Water Sales						
City of Arvada	16,606	0.28%	33,888	0.28%	-	0.4900
City and County of Broomfield	-	0.00%	-	0.00%	1	-
Centennial Water & Sanitation District	412,108	6.96%	841,021	6.97%	1	0.4900
Consolidated Mutual Water	48,078	0.81%	130,634	1.08%	1	0.3680
City of Englewood	-	0.00%	-	0.00%	1	-
U. S. Department of Energy	43,032	0.73%	87,821	0.73%	1	0.4900
City of Westminster	720,096	12.16%	1,469,555	12.17%	1	0.4900
Xcel Energy	733,634	12.39%	1,559,816	12.92%	-	0.4703
All Other	57,146	0.97%	116,401	0.96%	11	0.4909
	2,030,700	34.30%	4,239,136	35.11%	17	0.4790
Effluent Sales						
All Other	339,753	5.74%	462,644	3.84%	3	0.7344
Minimum Contract Payments[2]						
All Other	7,824	0.13%	-	-	2	-
	7,824	0.13%	-	-	2	-
Total Outside Combined Service Area	5,466,396	92.32%	10,900,910	90.29%	24	0.5015
TOTAL SALES OF NON-POTABLE WATER	$ 5,921,473	100.00%	12,074,073	100.00%	33	$ 0.4904
OTHER NON-POTABLE WATER DELIVERIES						
City Ditch at Washington Park			735,820			
City of Englewood (Cabin-Meadow Exchange)			423,634			
Total Other Non-Potable Water Deliveries			1,159,454			
TOTAL NON-POTABLE WATER DELIVERIES			13,233,527			

[1]This schedule represents actual billings made for water during the year. No accruals were made for revenue earned on unbilled metered accounts. The difference from amounts on an accrual basis is immaterial.

[2]Effective for 1997, non-potable sales have been identified as raw, effluent, and minimum contract payments. The minimum payment category reflects contract-stipulated payments in excess of the revenue recorded for actual deliveries of non-potable water. Prior to 1997, this revenue was reported as Special Assessments-Other on the "Operating Revenue and Related Water Consumption" schedule.

[3]If the customer is reflected in the count of raw water customers, it is excluded from the count of effluent and minimum contract payment customers.

RECEIPTS AND EXPENDITURES
BUDGET TO ACTUAL COMPARISON 1998 - 2002 AND 2003 BUDGET
(CASH BASIS)
(amounts expressed in thousands)

	1998		1999		2000		2001		2002		2003
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
BEGINNING CASH & INVESTMENTS	$125,385	$ 135,746	$ 130,544	$ 130,544	$149,851	$149,851	$ 165,594	$165,594	$186,755	$ 186,755	$156,540
RECEIPTS FROM:											
Sale of water	124,502	127,281	127,754	126,160	133,298	151,490 [6]	139,465	149,188 [9]	148,785	146,210	133,065
Drought Surcharge	-	-	-	-	-	-	-	-	-	776 [13]	11,043
Nonoperating, interest & other	14,156	16,379	13,700	18,438	16,364	16,647	16,746	16,671	12,111	16,480 [14]	16,740
System development charges	19,200	33,187 [2]	14,600	24,328	19,100	25,620 [7]	21,300	22,259	27,446	36,644 [15]	23,783
Tap Surcharge	-	-	-	-	-	-	-	-	-	1,333 [16]	4,538
Developer participation (new facilities)	3,733	8,413	9,017	13,171	3,741	6,392	3,915	7,034	3,918	5,573	2,115
Reimbursements & grants	96	168	440	371	387	791	1,637	6,802 [10]	152	1,881	3,123
Subtotal	161,687	185,428	165,511	182,468	172,890	200,940	183,063	201,954	192,412	208,897	194,407
Sale of bonds	-	-	38,272	14,472 [4]	12,700	12,677	11,159	32,658 [11]	27,395	11,393 [17]	40,500
Total receipts	161,687	185,428	203,783	196,940	185,590	213,617	194,222	234,612	219,807	220,290	234,907
LESS EXPENDITURES FOR:											
Operations, maintenance & refunds	70,495	75,105	76,868	79,312	80,296	80,836	82,059	85,375	91,297	95,453	97,006
Debt service	48,553	48,247	36,825	36,240	34,454	34,041	31,629	31,780	32,712	35,258	33,630
Subtotal	119,048	123,352	113,693	115,552	114,750	114,877	113,688	117,155	124,009	130,711	130,636
Capital improvements (new facilities)	30,264 [1]	43,336	45,523	35,496 [5]	45,910	51,705 [8]	74,508	69,761	78,240	81,421	91,228
System replacements	12,316	7,589	12,927	10,573	17,582	16,236	13,688	11,238	15,308	18,828	13,950
Equipment	7,083	7,493	7,122	6,343	9,119	5,746	8,298	6,604	10,069	8,834	7,264
Subtotal	49,663	58,418 [3]	65,572	52,412	72,611	73,687	96,494	87,603	103,617	109,083 [18]	112,442
Indirects to capital	8,200	8,860	9,500	9,669	9,579	9,310	9,884	9,750	9,955	10,711	11,023
Total expenditures	176,911	190,630	188,765	177,633	196,940	197,874	220,066	214,508	237,581	250,505	254,101
DIA Market Adjustment								1,057 [12]		- [19]	
ENDING CASH & INVESTMENTS	$110,161	$ 130,544	$ 145,562	$ 149,851	$138,501	$165,594	$ 139,750	$186,755	$168,981	$ 156,540	$137,346

(Continued next page)

RECEIPTS AND EXPENDITURES
BUDGET TO ACTUAL COMPARISON 1998 - 2002 AND 2003 BUDGET (Continued)

GENERAL EXPLANATION OF VARIANCES

Variances in operating receipts are generally due to abnormal climatic conditions.
Variances in system development charges are generally related to levels of activity in the home building industry.
Variances in capital improvements are generally due to changes in project scheduling.

[1] 1998 Capital Budget - this high level of expenditure reflects acquisition of gravel pit storage at $4.1 million, updates and improvements to the treatment plants to comply with Federal and State regulations of $13.3 million, construction of the Colorow and Chatfield Reservoir totaling $3.7 million, the low-side addition to Chatfield Pump Station at $2.4 million, construction of Conduit 74, phase 3 and 4, totaling $4.7 million, and purchase of new computer systems at $2.1 million.

[2] 1998 Actual System Development Charges receipts of $33.2 million were $14.0 million more than budgeted substantially due to an unbudgeted receipt of $12.5 million from Public Service Company for delivery of 5,200 acre feet of non-potable water.

[3] 1998 Actual Capital Expenditures (including indirects of 8.9 million) of $67.3 million exceeded budget by $9.4 million primarily due to an unbudgeted acquisition of the Moffat Water Tunnel for $7.0 million and $4.0 million more than budgeted for acquisition of gravel pit storage. These increases were partially offset by underruns of $1.5 million for construction of Colorow Reservoir and $1.6 million for installation of natural gas and variable engines at six pump stations. Both of these projects were deferred to 1999.

[4] 1999 Actual Bond Proceeds of $14.5 million were $23.8 less than budgeted due to not issuing new Certificates of Participation as budgeted.

[5] 1999 Capital Improvements were under budget by $10.0 million primarily due to the timing of the following projects: Gravel Pit purchases ($4.5 million), construction of the Reuse Plant ($3.1 million), construction of a new 5.0 million gallon reservoir at Chatfield ($1.6 million) and construction of Colorow Reservoir ($1.5 million).

[6] 2000 Actual Operating receipts were over budget due to the unusually warm weather and the resulting high consumption during much of 2000.

[7] 2000 System Development Charges were over budget $6.5 million due to substantial continued growth in the housing market and an unbudgeted second payment of $1.1 million from Willows Water District to pay down their debt.

[8] 2000 Capital Improvements were over budget $5.8 million primarily due to Gravel Pit purchases (15.1 million) partially offset by underruns of $4.0 million for construction of Reuse Plant, $1.9 million Gross Dam Gates on Outlet works and several other large projects.

[9] 2001 Actual Operating receipts were over budget due to the unusually warm weather and the resulting high consumption during much of 2001.

[10] 2001Actual Reimbursements & Grants were over budget due to settlement payment of $ 5 million for Conduit 94.

[11] 2001 Actual Bond Proceeds were over budget by $ 21.5 million as a result of selling Certificates of Participation to take advantage of favorable interest rates.

[12] Reflects change in market valuation as of the end of the year for investments at Denver Investment Advisors

[13] The drought surcharge was not budgeted for in 2002. It was put in place by the Board in July 2002 to discourage water waste and watering on unassigned days.

[14] Interest on investments was over budget by $3.7 million due to unrealized gains and interest reinvested in our externally managed investment account of $5.5 million. This unbudgeted overrun was lower than budgeted investment income of $1.8 million.

[15] System Development Charges overran the budget by $9.2 million primarily due to higer than expected treated water System Development Charges.

[16] The tap surcharge was not budgeted for in 2002. The tap surcharge is part of Denver Water's drought response plan and was put in place on Sept 18, 2002. The proceed s of the tap surcharge will be used to increase effeciency in existing uses of water such as rebates for low flow toilets and similar demand reducing programs.

[17] Proceeds from bond sales were signifigantly below budget due to the cancellation of a $15.0 million issuance budgeted for March 2002.

[18] Increase of $5.5 million is due to unbudgeted land acquisitions of $3.5 million & Dillion Reservoir Spillway Construction of $2.2 million.

[19] The DIA market adjustment accounts for unrealized gains and interest reinvested in an externally managed investment account. These proceeds have been included in the Nonoperating, interest & other item.

SYSTEM DEVELOPMENT CHARGES AND PARTICIPATION FEES: 1973 - 2002
(CASH BASIS - NET OF REFUNDS)

	System Development Charges	Participation Receipts
2002	$ 36,590,914	$ 5,567,014
2001	22,186,342	7,026,906
2000	25,525,391	6,392,360
1999	24,223,691	11,963,951
1998	33,155,890	8,411,534
1997	45,058,104	3,732,524
1996	15,137,300	2,913,102
1995	15,527,600	3,927,400
1994	13,535,700	2,881,800
1993	12,181,800	1,343,600
1992	10,920,300	1,198,800
1991	7,530,400	2,330,700
1990	6,615,100	1,838,700
1989	6,251,400	4,965,200
1988	6,084,600	3,067,700
1987	8,544,400	4,561,300
1973-86	149,473,600	43,647,100
	$438,542,532	$115,769,691